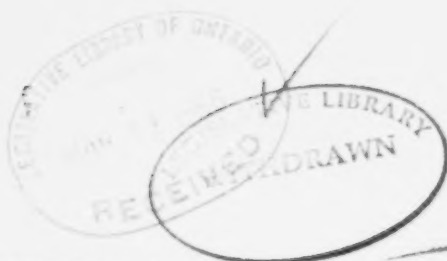


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**Voluntary
ECONOMIC
PLANNING**

1966



**NOVA SCOTIA
VOLUNTARY PLANNING BOARD**

FIRST PLAN

**FOR ECONOMIC DEVELOPMENT
TO 1968**

February 1966



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VOLUNTARY PLANNING BOARD

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Available by mail from
the Queen's Printer, P. O. Box 368, Halifax
upon receipt of a cheque or money order
drawn to the order of
the Minister of Finance and Economics
Province of Nova Scotia

A deposit copy of this publication
is also available for reference in public
and university libraries in Nova Scotia
and major centers in Canada.

Price: \$3.00

Halifax, Nova Scotia
February 11, 1966

The Honourable G. I. Smith
Minister of Finance and Economics
Province of Nova Scotia
Halifax, Nova Scotia

Dear Mr. Smith:

I have the honour to present to the Government the First Plan for the economic development of Nova Scotia by the Voluntary Planning Board.

Late in 1963, when our Board was established, little was known about preparing a plan with the active participation of the population. We, as a group of men who had little or no experience in such matters, concentrated our early efforts on organizing voluntary committees to study the province's economy. Existing sources of information were thoroughly exploited and several special studies had to be carried out for the purpose of completing the basic information. This phase of the work was very tedious, particularly for those who wanted immediate results for their efforts.

Our First Plan is in accordance with the strategy for the province's economic development as outlined in our Progress Report which was presented to the Government in 1965. This Plan emphasizes the general policy for economic development whereas the Progress Report embodied detailed sector plans. A series of reports will be published this year presenting detailed plans for each of the sectors. The plan for the secondary manufacturing sector is now drafted and will be published next month. We also propose to publish reports on special studies that we commissioned during the preparation of the First Plan.

In the Appendix we have included a report from the Board's special committee on coal, an interim report from the Education Advisory Council and also a report pertaining to the steel industry in the province.

The Board has given much consideration to the concept of concentration which is brought to the reader's attention in the Preface and is more fully described in Chapter III. It is of fundamental importance to the economic development of the province that all of us, people and govern-

ment accept the concepts of industrial development centres, service centres, and resource centres and that policies for their development be formulated and applied accordingly. Only through concentration of economic activities can the rate of development in the province be substantially accelerated. Difficulties and controversy, if any arise from this, will have to be faced by all of us, including the Government, for our own good.

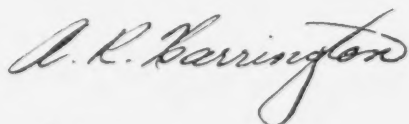
The Board respectfully requests the concurrence of Government with the programmes, recommended in this Plan, and also requests that it give immediate attention to their implementation as outlined.

During the inter-plan period the Board is determined to play its part in the implementation of policies and also watch over the attainment of its targets and objectives.

The Board would suggest that the organization for the production of this plan has been unique. It represents voluntary participation and sincere cooperation from a great many persons representing all geographic and occupational segments of the provincial economy. The Board would like to express appreciation to all of these people for their contribution.

Support and interest is now established. With this cooperative planning being continued, it is clear and evident that accelerated economic development will not only be feasible but will result in a substantial improvement in the province's amenities.

Respectfully submitted,

A handwritten signature in cursive script, reading "A. R. Harrington". The signature is written in dark ink and is positioned above the printed name of the Chairman.

Chairman
Voluntary Planning Board

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PREFACE

Aims of Economic Planning

The general goal of voluntary economic planning is to improve the standard of living of the people of Nova Scotia. To this end, the Voluntary Planning Board has formulated a specific short-term strategy for improving manpower utilization through increasing employment opportunities, and has established goals for a faster rate of growth in the provincial economy.

The ultimate aim of economic development in Nova Scotia should be to provide the kind of economic system in which all Nova Scotians can participate by making contributions based upon their abilities, receiving in return an equitable share of the benefits which result. Such an economy would also provide the necessary scope for Nova Scotians to pursue the challenges confronting them in the political and social, as well as the economic, spheres.

Considering these goals, the Board¹ early in its preparation of an overall plan for the period 1965 to 1968, set out the following economic goals thought to be appropriate for Nova Scotia:

1. the highest possible rate of growth with an equitable distribution of per capita income;
2. the highest possible level of employment;
3. the achievement of the highest possible increase in productivity;
4. the development of all the resources of the province to the highest point of efficiency; and
5. the achievement of a climate, both economic and political, that will encourage the development of new industries and the expansion of existing industries.

The Economic Council of Canada in its First Annual Review, has stated that our national economic objectives are full employment, a high rate of economic growth, reasonable price stability, a viable balance of payments position and an equitable distribution of rising income.

1. "The Board", unless otherwise specified, refers to the Nova Scotia Voluntary Planning Board.

It is not surprising that the national economic objectives set by the Economic Council of Canada and those set by the Voluntary Planning Board are similar. Indeed, it would be surprising if two organizations engaged in economic planning within a federated nation arrived at different general objectives, as the economic ills that are applicable to the nation are also applicable to the nation's parts—even though the magnitude of the problems is dissimilar.

Once general economic goals are set it becomes necessary to consider, in a general way, the means by which they are to be attained in the long run. The determination of such strategy is a step which must be taken before the content and scope of more specific plans, covering shorter and more immediate periods, can be considered.

It is first necessary to consider what structural changes in the economy should be encouraged. The Board has decided to promote the achievement of the most efficient economic structure possible. In other words, competitive and self-supporting activities in all sectors of the provincial economy must be encouraged. This approach seems most likely to achieve the provincial economic goals. A corollary of this approach is that planning must encourage the ultimate termination of economic activities which are obsolete or otherwise incapable of becoming competitive.

Such drastic change cannot be brought about immediately and planning must include policies and measures to ensure that such structural changes take place with a minimum of hardship for those involved.

With all this in mind the Board has attempted to formulate an overall long-term development strategy to guide the preparation of specific plans covering shorter periods. Evaluation of the long-term structural changes has proceeded concurrently with the preparation of the First Plan. The Board has not had sufficient time to evaluate specific structural changes which may be required and it has had to be content with indicating the general course which such changes should take. Generally speaking, the structural changes will consist mainly of greater expansion in the size and importance of secondary manufacturing and the service industries.

In preparing the First Plan for Nova Scotia the Board found it necessary to choose from its list of five economic goals those which should receive most emphasis during the initial planning period. Nova Scotia has long been plagued with an unemployment rate higher than the national average rate, and like the other Atlantic Provinces, has a disproportionate share of underemployment and part-time, often subsistence,

economic activities. The relative lack of permanent, full-time jobs is a feature of the provincial economy. The obvious corrective action would be the creation of new jobs to reduce Nova Scotia's labour surplus.

However, increased employment achieved indiscriminately would not constitute a worthwhile contribution to economic improvement. If gains are to be real, it is necessary that most new jobs created should become permanent. The Board therefore considers that new jobs should be encouraged and developed only in economic activities which are, or can become, efficient and self-supporting.

In addition to the direct creation of new jobs in efficient economic activities, there are proposals which should also be included in the First Plan because they will assist in laying the groundwork for further economic improvement after the First Plan period.

Objectives for First Plan Period

The Board has selected, in harmony with its longer-term goals, the following specific objectives for the 1965-68 period:

1. an increase of 3,400 new jobs annually, or a total increase of 13,600 new jobs over the four-year planning period;
2. an annual growth rate in new capital investment of 9.2 per cent to a level of \$380 million in 1968;
3. the establishment and expansion of efficient and self-supporting economic activities to provide new employment; and
4. the providing of a suitable foundation during the 1965-68 period for future growth and development.

Achievement of these objectives during the First Plan period would also ensure substantial progress toward the ultimate attainment of the five economic goals. For example, the creation of new productive employment on the scale suggested would, in itself, increase per capita income.

Similarly, the creation of new, full-time productive employment should contribute to a rise in the general productivity of the provincial economy. At a later stage, in an environment of more rapid economic growth in the province, planning should include more specific measures to improve the productivity of certain existing industries.

This approach to the First Plan should also result in a further improvement in Nova Scotia's economic climate and thus encourage the development of new industries and the expansion of existing ones. The emphasis on encouraging efficient enterprises in the First Plan period, and the laying of suitable additional groundwork to ensure more progress in this direction as later plans are executed, are intended to be necessary first steps in this direction. It will require a large increase in

the rate of new capital investment for the provision of new employment, the capital intensity of present employment, as well as the provision of an expanded infrastructure.

The target of 3,400 new jobs each year during the 1965-68 planning period represents a formidable challenge for Nova Scotia. During the four-year period 1960 to 1964, the economy has been providing an average increase in employment of 2,100 jobs per year. Thus the employment target for the next four years calls for about 1,300 additional new jobs to be created each year. Moreover, this estimated need for new employment opportunities is predicated on the assumption that recent levels of out-migration will be maintained through the planning period. If the rate of out-migration were to decline, the number of new jobs required to achieve the employment target would be correspondingly increased.

Changing Structure of Individual Sectors

Certain sector structural changes have already become evident to the Board upon examination of committee reports and plans. Present trends in the primary resource industries can be expected to continue. Capital will be substituted for labour and output will continue to rise. There will be employment decreases in primary agriculture and primary fishing. Mining employment is expected to decline. In forestry, some increase in woods employment is likely to result from the expansion taking place in pulp and paper manufacturing. On the whole, a slight decline in employment in these primary industries is expected during the 1965-68 period.

The structural changes taking place in primary activities result from current developments in science and technology. Such changes, with which Nova Scotian industries must keep abreast if they are to survive in an increasingly competitive national and international environment, should cause rising productivity, greater efficiency and higher income for those engaged in the primary phases of the resource sectors. Planning must ensure that these structural changes proceed as smoothly as possible and must also attempt to keep any resulting social dislocation at a minimum.

Primary manufacturing may be defined as all those processing industries which are based directly upon the natural resources of the province. During the first planning period, output of primary manufacturing will rise, most notably in pulp and paper, and to a lesser extent in fish and food processing. On the whole, a minor increase in primary manufacturing employment should be expected during the 1965-68 period.

A principal goal should be a higher level of income for those employed in either primary industry or primary manufacturing. This will be achieved in the long run by providing better resource information, ensuring better resource utilization and by a greater adjustment of the industries involved to technological change.

The Board is convinced that secondary manufacturing must play a key role in the future economic development of the province. Every opportunity must be seized to increase productive employment through the expansion of existing secondary manufacturing industries if the challenging employment targets are to be attained. Also, new dynamic industries of this type must be established if the province is to expand its narrow manufacturing base. Because the existing base is composed of only a limited variety of rather specialized industries, new industry is also needed if the employment targets are to be reached.

The Board considers that a reasonable amount of industrial concentration is needed to create the economies of industries agglomeration that will attract modern manufacturing industries. The largest urban areas in Nova Scotia today contain cornerstone secondary manufacturing industries and appear to have potential for attracting additional industries of this type. Such industries are ones that use large quantities of manufactured components in their own manufacturing operations, but choose not to make such components themselves. An example would be a major automobile assembly plant. Smaller urban areas have also enjoyed relative success in attracting secondary manufacturing industries, and have a particular appeal to certain types of industry and their potential for general expansion must not be overlooked. They should be encouraged to establish industrial planning commissions in co-operation with Voluntary Economical Planning and the proposed economic research unit.

Considering the above, the following recommendations are an indication of the Board's consensus of how, if adopted, increased employment in secondary manufacturing can be achieved:

1. the largest urban areas should be designated as industrial-development centres, to be regarded as desirable locations for secondary manufacturing industries and particularly cornerstone secondary manufacturing industries;
2. the Atlantic Development Board should be requested to establish a capital grant fund, to be used to offer equivalent financial incentives in the Halifax-Dartmouth Area as now available in all other areas of Nova Scotia through the Area Development Agency;

3. a special economic research unit should be established as a government service having the immediate priority of determining the type of industry to be attracted to the industrial development centres, the findings of such research to be turned over to Industrial Estates Limited; and
4. Industrial Estates Limited should continue to play a promotional role, should sustain its endeavours to attract industry to the entire province, especially to the industrial development centres, and should substantially increase its staff so that its remarkably successful efforts to date may be maintained and reinforced.

Growth in the supporting sectors of electric power, construction, and transportation and communication is linked to the activities in the resource and manufacturing sectors of the economy. The Board does not anticipate that the expected growth in secondary manufacturing employment will result in matching employment growth in the supporting sectors. Capital substitution for labour is currently and will continue to influence labour demand in these sectors, as in the resource sectors. Employment trends, then, indicate only a modest expansion during the period 1965-68.

The policy goal for the supporting sectors has to be one of improved efficiency within the provincial framework, involving the maintenance of relative competitive positions by utilization of the latest technological advances.

The services sector is the other major area in the provincial economy where significant increases in employment can be expected during the period of the First Plan. The Board did not have the benefit of a segment and sector committee organization in its consideration of this important grouping for the preparation of the plan.

A series of exploratory studies were commissioned for the purpose of clearly defining the significance and heterogeneity of the services industries in Nova Scotia before engaging the sector in formal planning. Evidence arising from the studies indicates that of all the included "industries", health and education are two in which considerable expansion in employment will occur during the planning period—health, as a result of the implementation of the recommendations of the Royal Commission on Health Services and the effects of them on provincial health services, and education through an increased emphasis of both academic and vocational training.

In addition, expansion of the province's efforts in tourism will be reflected in increased employment in retail trade, accommodations and food services.

Generally speaking, the employment increases in all the services sector should be of sufficient magnitude to meet the employment objective set by the Board for these industries.

Institutional Factors

In addition to matters of importance to particular sectors, the Board has considered a number of general matters related to the economy as a whole. These affect, in varying degrees, all sectors of the economy.

The pattern of historic settlement and the lack of a large industrial base have resulted in a population spread too thin to enhance economic development. The Board has opted for the creation of industrial development centres with the idea of concentrating industry, and as a result of such concentration, to draw the unemployed and underemployed out of marginal economic activities and sparsely settled areas into these centres. The Board, at the same time, is considering two additional concentration concepts, service centres and resource centres. Service centres are regional focal points for social capital facilities such as schools and hospitals for training, transportation and shopping facilities, and for a wide variety of special services of a type found only in larger urban communities. Resource centres are desirable locations for primary manufacturing industries based on the exploitation of specific natural resources. Neither of these two concepts has been investigated in sufficient depth at this time to permit further description, however, research must continue to develop a plan outlining how all communities in the province can participate in economic growth so that the standard of living in the whole province may be improved.

The Second Annual Review of the Economic Council of Canada places great emphasis on the role education must play in the future growth of the Canadian economy. The Voluntary Planning Board is in complete agreement with the Council in this matter. The Board is convinced that higher levels of education and technical training for Nova Scotians are an essential investment and a necessary condition for the achievement of the long-term goals that it set for the provincial economy. Accordingly, an Education Advisory Council has been established to carry out an exhaustive analysis of the province's present educational system and to present to the Board its assessment of the implications of the plan for education and technical training in Nova Scotia. The Council has not yet finished its analysis, but has filed an interim report (Appendix D) on its findings to date. The Council has observed that:

"In the past, the primary and secondary schools and the universities of the province have produced a more than adequate number of profes-

sionally trained people. Many of these highly educated personnel have migrated from the province due to the lack of local opportunities. At the same time, it is evident that the province has not produced sufficient numbers of skilled and well-trained technicians and tradesmen to meet the demands of a growing industrial economy. While increased emphasis on technical education and training can provide, in the future, an adequate supply of qualified personnel in this category, salaries competitive with those prevailing elsewhere must be offered to prevent the inevitable drain of those essential human resources from the province."

These preliminary findings have prompted the Council to recommend:

1. that the overall system of education in the province should be planned to serve, among other things, the needs of the provincial economy. It should be of an open-ended nature, so that every opportunity is offered to the students, at all levels and at all ages, to achieve, either by formal, full-time courses or by continuing educational methods, the highest possible levels. Increased attention should be given by all educational institutions for the provision of extension courses on both a full-time and a part-time basis; and
2. that without decrying the splendid efforts of the Vocational and Technical Division of the Department of Education, it is evident that this Division suffers from a lack of knowledge of the detailed needs of our existing and planned secondary industry. Additional staff should therefore be provided so that a comprehensive study can be made of the skills required by the economy in the various areas of the province. There is need for information concerning the human resources in each area and their potential in terms of the various levels of technical and technological skills required by industry.

Monetary policy of the Federal Government has considerable effect on the growth of the provincial economy. Periods of general national monetary restraint do not recognize regional differences in borrowing patterns and, as a consequence, place businesses in a province like Nova Scotia under greater hardship than businesses in other provinces. Therefore, the Board recommends that:

in periods of national monetary restraint, and in the absence of excessive aggregate demand pressures in Nova Scotia, the Federal Government should make an effort to exclude the province from the full force of credit restriction by:

- (a) having the agencies of the Federal Government which provide credit, such as the Industrial Development Bank and the Central

Mortgage and Housing Corporation, apply restrictive policies less severely in the province; and

(b) encouraging the commercial banks to exempt the province from the full force of restriction on credit availability.

Defence plays an enormous role in Nova Scotia's economy and the Board is consequently concerned about the implications of the White Paper on Defence on the defence establishment in the province. It therefore recommends:

that the Provincial Government request the Atlantic Development Board, in co-operation with the Department of National Defence, to examine the implications for the province of the new defence policy and to suggest means of offsetting any detrimental effects which may appear as a result of the examination.

The Board believes that freer trade in the whole North Atlantic area would be of very substantial benefit to the economy of Nova Scotia. Present tariff barriers are thought by the Board to restrict prospects for expanding the province's secondary manufacturing base. It therefore recommends:

1. that the Provincial Government make representation to the Federal Government urging negotiations and implementation of agreements with the United States similar to the recent agreement respecting automobiles and original automobile parts but concerned with commodities which are now or may be of particular interest to Nova Scotia; and
2. that the Provincial Government make representation to the Federal Government to ensure that in all future trade negotiations very careful consideration be given to attempting to gain concessions which will permit the freer flow of all products to foreign markets, which in turn will allow further processing of these products in Nova Scotia.

To speed up the flow of goods and to improve the efficiency of the transportation network, the following are recommended:

1. because of the increasing importance of motor carriers in the transportation of materials and finished goods, the Provincial Government should initiate a plan of highway construction to provide the province, in a reasonable period of time, with an adequate system of all-weather trunk highways . . . ; and
2. since in the foreseeable future a relatively large proportion of the province's manufacturing output is likely to depend on markets in the central part of the country, the Provincial Government, through the Maritimes Transportation Commission and by other

appropriate means, should continue to maintain a critical examination of the adequacy of transportation facilities to these markets and of transportation costs and make recommendations thereon in the light of such examination.

Implementation

The last and undoubtedly a most important feature of the plan is the means by which it is to be brought into effect. Implementation of the Board's recommendations is a responsibility of both the private sector and public sector in Nova Scotia to ensure the attainment of the targets during the First Plan period, and to lay suitable groundwork for succeeding plans.

The Voluntary Planning Board, itself, has the responsibility under the Voluntary Planning Act of "watch (ing) the performance of the sectors in carrying out their plans . . .," and it interprets this directive to mean the assumption of the co-ordinating role for the private sector in reaching objectives.

The public sector's efforts are split into two parts. The first is the purely Provincial Government responsibility of carrying out those recommendations directed to it, and the second is the co-ordinating role of all regional development agencies in their Nova Scotia activities.

In regard to the former the Board recommends:

- that a committee composed of three cabinet ministers should be formed and charged with advice to the Provincial Government on economic development matters and implementation of the provincial plan. Specifically, the responsibilities of this committee would be:
- (a) to expedite the implementation of the approved recommendations;
 - (b) to ensure that the general economic strategy agreed upon in the plan is borne in mind in the establishment of new government policies and procedures; and
 - (c) to advise the Provincial Government accordingly when it is clear that priorities must be set in putting these recommendations into effect.

One organization concerned with inter-provincial and regional co-operation within the Atlantic Provinces is the Atlantic Provinces Research Board on which are represented the Atlantic Development Board, the Area Development Agency and administrators of the Agricultural Rehabilitation and Development Act. It was established to co-ordinate the programme of regional economic research, to prevent duplication in the economic research effort and to initiate research of

general concern to the four provinces. The Atlantic Provinces Research Board could also perform a valuable function of co-ordinating economic development work in the Atlantic region, and therefore the Voluntary Planning Board recommends that the Provincial Government request the Atlantic Provinces Research Board to accept this additional responsibility:

to assess the policy implications of the various economic research studies and to transmit to the relevant policy-makers the conclusions resulting from these assessments.

The Voluntary Planning Board would be remiss if it did not also consider the professional staff framework of the Provincial Government upon which it now depends for statistical and analytical information and upon which it will depend for even more specialized research and advice in the carrying-out of the recommended programmes. It feels that the professional staff efforts must be co-ordinated if this is to be done in the most efficient manner, and recommends in a general way that the Provincial Government give consideration to integration of those staff functions concerned with economic planning and industrial development, other than Industrial Estates Limited personnel, within one governmental organization.

I

THE EVOLUTION OF VOLUNTARY ECONOMIC PLANNING IN NOVA SCOTIA

In the early nineteen sixties, the Government of Nova Scotia decided that the problems of economic growth in the province must be approached in a more comprehensive and systematic way. It was clear that this would require a form of economic planning based on the co-operation of government, business and labour—a form of planning that was voluntary in that representatives of the private sectors of the economy would be invited to work with staff provided by the government to fix targets for the provincial economy, to recommend methods for attaining these targets and to participate in the process of implementing the plan.

The arguments for such a system of economic planning were compelling:

1. it was in keeping with democratic traditions;
2. it would educate the people of Nova Scotia regarding their economy and its problems;
3. it would fix policies and priorities so that scarce resources could be best utilized to provide the maximum contribution to economic growth; and
4. it would promote co-ordinated action by key groups in the economy.

The Government of Nova Scotia was well aware of the limited powers of a provincial government to influence the course of the province's economic development. It was determined, however, to use such powers as it had in the most effective way possible. Moreover, such a system of planning would provide insights and point up problems to other levels of government and would thus assist them in discharging their responsibilities relating to economic growth.

While the economic powers of a provincial government are limited, they can, in the long run, have a significant effect on the rate of economic

growth. Education is a provincial responsibility and it is realized that investment in people is a most important investment in the growth process. A provincial government has extensive powers to control the terms and conditions under which its natural resources are utilized. It has great powers to influence the growth of power and transportation systems within the province. By offering incentives through its development agencies, it influences the changing structure of the provincial economy.

The process of voluntary economic planning enables representatives of the private sector and government officials to engage in an exchange of ideas regarding the economic problems of Nova Scotia. By providing the government with information regarding the most desirable course of future development, by establishing targets and by providing additional channels for co-operation, the private sector assists the Provincial Government in using its economic powers with increased precision and effectiveness.

The Provincial Government, in turn, has been willing to seek the advice of those representatives of the private sector before enacting policies that either directly or indirectly affect the provincial economy.

The basic principles of voluntary economic planning provide that representatives of the private sectors of the economy participate in the planning process on a purely voluntary basis and that the groups that co-operate to formulate a plan also co-operate to implement it. The segment and sector committees and the Nova Scotia Voluntary Planning Board consist mainly of representatives from the private sectors, with government representatives serving only in sufficient numbers to supply necessary information on government organization and programmes.

Most of the private members of the voluntary planning organization are drawn from business and the trade unions. It is estimated that approximately two thousand people have been involved in or have attended planning conferences in the process of preparing the First Plan.

In 1963, the Legislature amended the Public Service Act. This amendment created a new department called the "Department of Finance and Economics". The new department was given all the jurisdiction formerly held by the Provincial Treasurer, together with the economic jurisdiction contained in the Statutes of Nova Scotia, 1963, Chapter 12, the Voluntary Planning Act.

The Act provides for:

1. a provincial Board or Council at the top to be known as the Nova Scotia Voluntary Planning Board;
2. a committee concerned with each sector of the provincial economy, i.e., Agriculture Sector Committee, Forestry Sector

Committee, etc., responsible to the Voluntary Planning Board; and

3. a committee, or sub-committee, for each homogeneous portion or segment of each sector, i.e., Livestock Segment Committee, etc., responsible to the appropriate Sector Committee.

The organization of Voluntary Economic Planning and its composition is set out in Appendix A.

A committee for each segment in each sector is selected at the sector organization meeting by those in attendance at the meeting. Members of the government service serve on segment committees for the purpose of liaison, supplying information and performing secretarial functions. They are drawn from the department of government which is most closely related to the activities of the particular sector involved.

To maintain continuous liaison from segment committee to the Voluntary Planning Board, the chairman of each segment committee is a member of his sector committee, and the chairman of each sector committee is a member of the Board.

The Voluntary Planning Act gives the Board the authority to:

1. co-ordinate the plans of the various sectors of the economy and, based on these plans, produce a plan for the whole economy of the Province for recommendation to the Minister as one which the Government might adopt;
2. collect, collate and disseminate information relative to the economy of the Province;
3. advise the Government on Provincial economic matters;
4. watch the performance of the sectors in carrying out their plans, and stimulate and encourage the carrying out of such plans;
5. look ahead to envisage further plans which should be made, and provide for continuity of planning for the future, both short-range and long-range; and
6. conduct or arrange to be conducted such studies and investigations as the Governor-in-Council or the Minister requests.

The Board may:

1. accept, hold and apply grants and gifts made to it to assist it in performing its functions or duties; and
2. with the approval of the Minister, engage or retain persons to undertake studies and investigations of the economy of the Province.

Secretaries for sector committees are provided from the permanent staff of Voluntary Economic Planning, a Division of the Department of Finance and Economics. The director of the permanent staff of Voluntary

Economic Planning is the secretary of the Voluntary Planning Board. Most of the detailed work is done by this small permanent staff under the direction of the Voluntary Planning Board.

The members of the permanent staff have extensive responsibilities. They carry out research and provide statistical and other analytical information for the Board and all its committees, they draft plans for consideration and they provide liaison both within the Voluntary Economic Planning organization and between the organization and other bodies concerned with economic growth.

In regard to economic planning, it has been said that "the most important alternative may be formulated as the choice between 'starting from below' and 'starting from above'." The Nova Scotia system of voluntary economic planning, "starts from below". Segment committees assess their segment and its problems and report to the relevant sector committee. Sector committees assess their sector, consider segment reports in detail and prepare a sector plan which is presented to the Voluntary Planning Board. The Board has the final responsibility for preparing an overall plan covering all sectors for presentation to the Provincial Government. The Board has also created five advisory councils to assist it on general factors affecting the whole economy.

The system of "starting from below" is in sharp contrast to most systems of economic planning that "start from above". For example, the French system of economic planning "starts from above" in that the government decides the broad objectives to be achieved by the economy in the planning period and asks sector representatives to report upon the implications of these objectives for the industries that they represent.

It has been stated that most, if not all, economic planning schemes have developed on a trial and error basis. The planning effort in Nova Scotia is not unique in this respect. In the "starting from below" approach used, a certain time period was required to establish the planning organization, create the procedures, undertake research and generally to inform those in the planning operation of the nature of their tasks.

The limitations of the first plan are derived from the limitations of the planning operation to date and, in time, the process of planning should become more precise and the plan itself should possess an increasing degree of sophistication. In a sense, the first plan represents the rough foundation upon which future plans of a more comprehensive, detailed and integrated nature will arise.

Now that the planning structure is in being, the development of the second and subsequent plans will inevitably evolve in a manner rather different than the first. The existing structure will allow a two-way flow.

Active segment and sector committees will continue to present their specific problems and recommendations to the Board as they have done in the past. But, at the same time, the structure will allow the Board to present their concepts to these committees for their consideration.

Indeed, the Board, with the experience of the first plan behind it, will be able to give even more guidance and direction for the development of future plans to the entire planning organization of segment and sector committees.

II

THE ECONOMY PAST AND PRESENT

HISTORICAL PERSPECTIVE TO 1947

The fisheries provided the initial basis of development of the Nova Scotia economy, and fishing remained the main occupation until late in the eighteenth century. However, during the last quarter of that century rapid developments took place in forestry, ship-building and commerce, which, together with the fisheries, produced a wider economic base. This 'Golden Age' lasted almost a century during which time Nova Scotia became integrated in a pattern of international trade under British sponsorship and protection.

After the removal of British preferences, expansion continued in Nova Scotia for roughly another decade based on the increased demand for Maritime products in the United States resulting from the Civil War and the Reciprocity Treaty. While the removal of British preferences altered the trading system in which Nova Scotia was so well integrated, changing technology resulted in the gradual displacement of wooden sailing ships.

By the time of Confederation the economic system had been basically changed. The hope of access to the markets of Ontario and Quebec for Maritime-manufactured products, held out by pro-Confederation spokesmen, failed to materialize. By 1879 Canada had adopted three policies aimed at establishing an economic and political identity—railway construction, western settlement and tariff protection. The policy of transcontinental railway construction stimulated the development of Nova Scotia's coal and iron and steel industries, but after the railway construction boom ended these activities settled back to a much slower rate of development.

In the present century other types of economic activity, mainly based upon natural resources, were established in Nova Scotia and many

adjustments took place as a result of integration with the Canadian economy. However, these did not occur on a scale adequate enough to restore the province to the same level of prosperity that had been enjoyed during the first half of the nineteenth century. The special conditions of the two world wars brought considerable stimulus to some Nova Scotian industries, but in many cases the effects were mainly temporary, and at the end of World War II the economy of the province was less developed and less diversified than that of the national economy.

OVERALL TRENDS IN POST-WAR PERIOD

The post-war period has been one of continuing economic growth in Canada and all parts of the country have shared in this growth in varying degrees. The increase in economic activity in Nova Scotia has been substantial. Population increased between 1947 and 1964 by about 24 per cent, an average of between 8,000 and 9,000 persons per year. Total personal income was almost two and one-half times as high in 1964 as in 1947, and per capita personal income doubled during the period. The level of new investment in 1964 was almost two and one-half times that of 1947.

However, growth in the Nova Scotia economy, although significant, has not been as pronounced as in the national economy. Canada's population increased at a greater rate than Nova Scotia's, so that the province's population dropped from 4.9 per cent of the Canadian total in 1947 to 4.0 per cent in 1964. This was largely because of the small number of immigrants to Canada who settled in Nova Scotia and because of the emigration of many Nova Scotians. In the 1951-61 decade there was a net out-movement of population from Nova Scotia of nearly 34,000.

At the same time, the population of the province has remained rural to a greater degree than in Canada generally. In 1961, Canada's population was about 70 per cent urban while Nova Scotia's population was 54 per cent urban. This rural-urban pattern of population distribution was mainly the result of a greater concentration in the rural non-farm category in Nova Scotia (38 per cent) than in Canada (19 per cent).

Although over the period 1951 to 1961 the provincial labour force rose by 7.4 per cent, as a proportion of the total Canadian labour force, it declined from 4.2 per cent to 3.7 per cent. During the same period the participation of Nova Scotians in the labour force was lower for both males and females than the national average, reflecting the basic differences in the structures of the two economies.

Under these conditions it was not surprising that total personal income in Nova Scotia declined from 4.0 per cent of the Canadian total in 1947

to 3.0 per cent in 1964. On a per capita basis, Nova Scotia's personal income has remained at approximately three-quarters of the Canadian average. The absolute differential between Canadian and Nova Scotian per capita personal income widened from \$157 in 1947 to \$459 in 1964. It is interesting to note that while total personal income, including transfer payments, rose in Nova Scotia from 1947 to 1964 by 151 per cent, personal income, excluding transfer payments (that is, income accruing to Nova Scotians as a result of their ownership of the factors of production), increased by 140 per cent.

While new investment in Nova Scotia increased by 132 per cent between 1948 and 1964, new investment in Canada increased by an even higher amount of 251 per cent. The long-term trend for the same period indicates a continuation of this unfavourable relative position between Nova Scotia and Canada. On a per capita basis, new investment in the province has fluctuated between 55 per cent and 70 per cent of the Canadian average.

STRUCTURE OF THE ECONOMY

In this section the structure of the economy of Nova Scotia is compared with Canada's, during the period 1951 to 1961, for labour force. For the period 1947 to 1962 the commodity producing industries' output (net value of production) are compared^{1,2}. Using these data allows a comparison of change in the structure of the provincial economy over time related to the change taking place in the structure of the national economy over the same period of time. Data for these indicators are also given in bar chart form, output in Figure 1 and labour force in Figure 2.

During the post-war period, the Nova Scotia economy together with that of Canada, has tended to become less dependent on primary extractive industries. In 1947, primary agriculture, fishing, forestry and mining accounted for 37 per cent of total output and in 1951 for one-quarter of the labour force in Nova Scotia. By the early sixties, these primary activities had become relatively less important to the economy, contributing 27 per cent to total output (1962) and accounting for 14

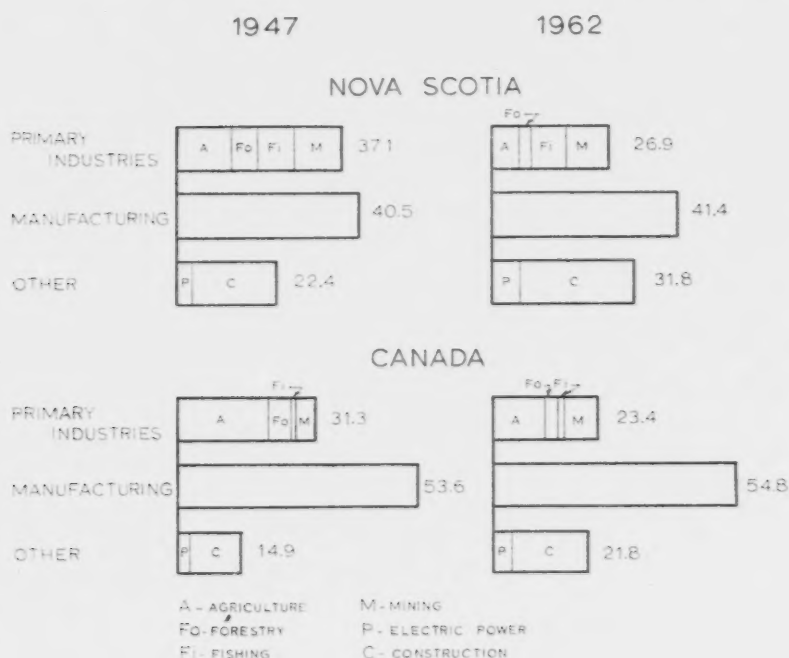
1. All output comparisons are in terms of current dollars which do not reflect inflationary trends. Use of current dollars was necessary because no reliable data was available to reduce changes in output to real terms on a provincial basis for specific industry groupings.

2. Numerical values used in the remainder of this chapter are also given in tabular form in Appendix A.

per cent of the labour force. Nationally, the relative importance of primary extractive operations fell from 31 per cent to 23 per cent in terms of total output and from 21 per cent to 14 per cent in terms of labour force. Thus, Nova Scotia was somewhat more dependent on primary extractive industries than was the national economy at the beginning of the post-war period and remains so in regard to output in more recent years.

FIGURE 1

PERCENTAGE DISTRIBUTION OF OUTPUT COMMODITY PRODUCING INDUSTRIES



NOTE: Based on net value of production in current dollars.

SOURCE: Based on data from the Dominion Bureau of Statistics.

Manufacturing is substantially more important to Canada's economy than it is to Nova Scotia's. In 1947 and 1962 manufacturing accounted for about 55 per cent of total industry output in Canada and for about 41 per cent in Nova Scotia. However, the labour force in manufacturing declined from 26 per cent to 22 per cent of the total labour force between 1951 and 1961 in Canada, and from 17 per cent to 14 per cent in Nova Scotia. On a per capita output basis the real difference, structurally, was more evident in manufacturing between the national and provincial economies. In 1947, manufacturing output per capita in the national economy was \$342 increasing to \$632 in 1962. During the same period, manufacturing output per capita in Nova Scotia increased from \$138 to \$234. The lack of manufacturing development reflects the disadvantages Nova Scotia faces in producing goods for the Canadian market.

The position of manufacturing in relation to the provincial economy is further demonstrated by the considerably smaller proportion of total new manufacturing investment in Nova Scotia, compared to that of Canada. It has only been in the last five years that new investment in provincial manufacturing industries has approached the national proportion. (See Figure 3).

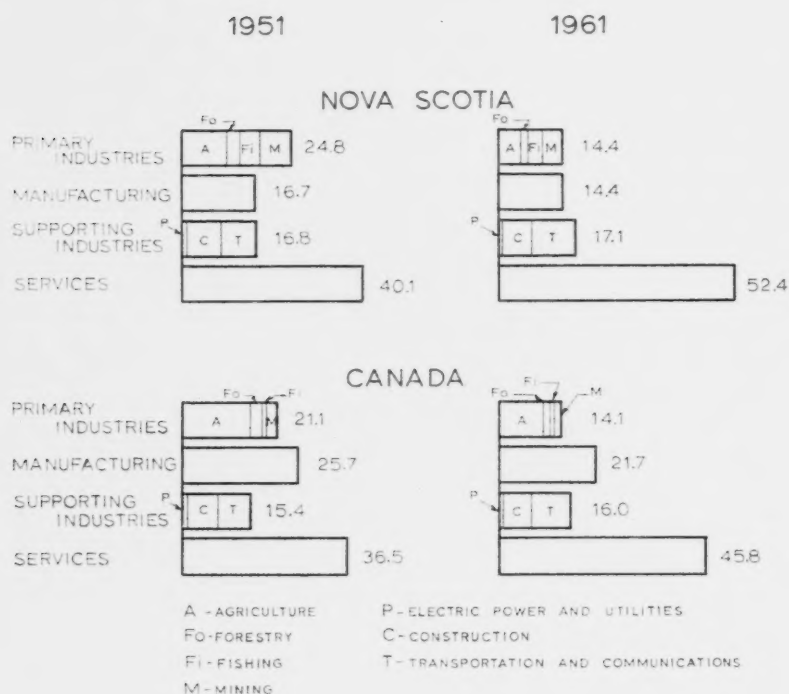
Construction plays a more important role in the economy of Nova Scotia than it does in the Canadian economy. In 1947, about 19 per cent of the province's total industry output resulted from construction activity, while in Canada construction was responsible for 12 per cent of total output. By 1962, these proportions had risen to one-quarter in Nova Scotia and 18 per cent in Canada. The proportions of total labour force employed in construction activity were similar and remained approximately the same over the period.

The dependence of the national and provincial economies on transportation, communication and storage is also similar in terms of labour force.

Nova Scotia depends relatively more on employment in the services sector and the degree of dependence increased during the 1951 to 1961 decade, due largely to an increased concentration of defence. In 1961 about 52 per cent of the Nova Scotia labour force, and about 46 per cent of the Canadian labour force, was employed by the services sector. Defence employment over the same period increased in Nova Scotia by 78 per cent.

In summary then, the economy of Nova Scotia is thus more dependent on the extraction of primary products, on construction activity and on the services industries—particularly defence—than is the economy of Canada. During the last four years new investment in all types of

FIGURE 2
PERCENTAGE DISTRIBUTION
TOTAL LABOUR FORCE



SOURCE: Based on data from the Dominion Bureau of Statistics.

manufacturing has been increasing more rapidly, and, as a percentage of total new investment, has been approaching a point similar to that which exists in Canada. If this continues, this trend can be expected to produce changes in the structure of the provincial economy at a faster rate than during the preceding decade.

Resource Sectors

In the resource sectors of the Nova Scotia economy—primary agriculture, fishing, forestry and mining, and the processing of the

products of these industries—there has been a significant decline in the labour force during the post-war period, falling roughly by one-third since 1951.

The decline in the agricultural labour force has been the most pronounced, both absolutely and relatively. In spite of a slight increase in output, the agricultural labour force has declined approximately by one-half over the period 1951 to 1961. This has been accomplished by an increased output per worker employed in agriculture, and has been accompanied by a decline in the number of farms, particularly of smaller farms, an increase in farm size and an increase in use of capital per worker.

Output in primary forestry production has remained fairly constant while the labour force engaged in the primary forest industries has declined. This decline has been in the order of approximately 40 per cent over the period 1951 to 1961. In the primary fisheries while there was a decline in the labour force of about 30 per cent, net value of production has nevertheless increased substantially. In mining, the drop in the labour force has been about one-half since 1951, resulting principally from the closure of several coal mines. The absolute drop in mining labour force has been about 5,000 since 1961 while net value of production dropped only slightly. As in agriculture these trends towards declining labour requirements and increasing output are the result of rising productivity which, in turn, is a result of the substitution of capital for labour in the primary industries. This situation is, of course, a general one and is by no means peculiar to Nova Scotia.

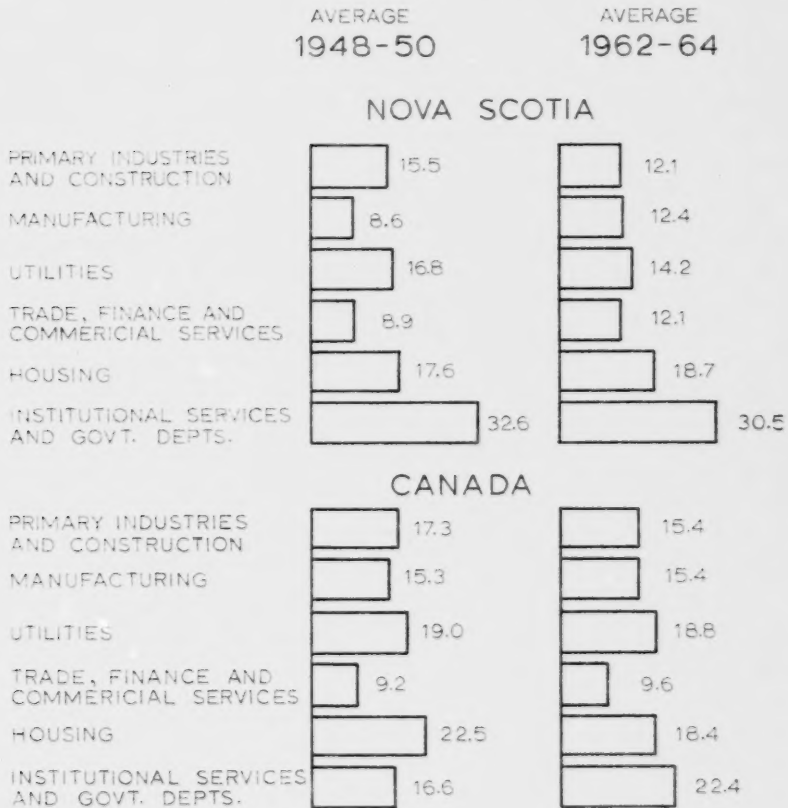
In the processing of agricultural products, the post-war years have seen substantial percentage increases in both labour force and value, although in absolute terms these are small.

Like primary forestry, forest-processing industries have experienced a decline in the labour force but an increase in the value of output. The increase in net value has been about 48 per cent between 1947 and 1962, while the labour force drop has been in the order of 20 to 25 per cent. The labour force engaged in the pulp and paper industry has doubled since the immediate post-war period, while the labour force in the sawmills and the other wood industries has fallen by over one-half. Net value of production in the pulp and paper industry more than doubled, other wood-using industries increased by a third, but sawmill value added dropped by about 15 per cent. These comparisons cover the period 1947 to 1962.

The labour force in the fish processing industry has remained fairly constant over the period. Structural changes within the industry, however,

FIGURE 3

**PERCENTAGE DISTRIBUTION
NEW CAPITAL EXPENDITURES**



SOURCE: Based on data from the Dominion Bureau of Statistics
and the Department of Trade and Commerce.

have been taking place resulting in a decline in the labour force engaged in the salt fish industry and corresponding increases in the fresh and frozen processing industry. In the same period, net value of production has increased by approximately one-half.

Secondary Manufacturing

Employment in Nova Scotia's secondary manufacturing industry, generally manufacturing not based on the province's raw materials, has changed little since 1947. It reached a high in 1952 which was 10 per cent above the 1947 figure, and a low in 1961 which was nine per cent below the level prevailing in 1947. Since 1961, employment has risen each year from 92 per cent of the 1947 level to 105 per cent in 1964. Value added by manufacturing processes has risen by 171 per cent since 1947, but this increase reflects not only increased production, but increases in prices as well.

Data are not available for the leather, textile, primary metal, electrical products, petroleum and coal products industries separately. Together they account for 26 per cent of employment, 31 per cent of net value and 47 per cent of gross value of the secondary manufacturing sector. On the other hand, they account for only four per cent of the number of secondary manufacturing establishments. In the following tabulation, the remaining industries in the secondary manufacturing sector are grouped by rank for four separate indicators of relative importance on the basis of 1962 data:

	Employment	Net Value	Gross Value	Number of Establishments
Transportation Equipment	1	1	2	3
Food and Beverages	2	2	1	1
Metal-fabricating	3	4	3	4
Printing, Publishing and Allied Industries	4	3	4	2
Knitting Mills	5	5	5	11
Machinery (except electrical)	6	6	10	12
Clothing	7	10	9	9
Paper and Allied Industries	8	7	7	10
Chemicals and Chemical Products	9	6	6	8
Non-metallic Mineral Products	10	8	8	7
Furniture and Fixtures	11	9	10	6
Miscellaneous Manufacturing	12	9	10	5

(The appearance of the same number more than once in the same column indicates that two or more industries have equal rank.)

In 1962, the transportation equipment industry provided employment for 23 per cent of all secondary manufacturing workers, and the foods and beverages industry for 17 per cent. These two industries, together with other industries for which no data are available, employ two-thirds of the entire secondary manufacturing labour force. The metal-

fabricating industry accounted for nine per cent, and the printing and publishing industry and the knitting goods industry each for seven per cent. In other words, the group of industries for which no separate data are available, the transportation equipment industry, the foods and beverages industry, the metal-fabricating industry, the printing and publishing industry, and the knitting-goods industry provided employment for 89 per cent of the secondary manufacturing labour force in Nova Scotia in 1962.

Defence

Combined services and civilian employment for defence purposes in Nova Scotia is approximately 25,000 persons, equivalent to about 10 per cent of the provincial labour force in 1961. The annual payroll amounts to about \$90 million, equivalent to about 10 per cent of personal income in the province. The labour force employed in defence experienced strong expansion during the 1950's, the increase amounting to 79 per cent between 1951 and 1961. By 1961, more people were employed in defence than in agriculture, forestry and fishing combined; more than in transportation, communication and other utilities; or approximately the same as in retail trade. Employment in defence was equivalent to about two-thirds of total manufacturing employment. The defence "industry", then, occupies a much more important position in the Nova Scotia economy than in any other province.

The most direct secondary employment effects of defence spending occur in manufacturing, particularly in the aircraft, electronics and ship-building industries. Provincial firms specializing in the manufacture and repair of defence equipment employ from 3,000 to 4,000 workers. Secondary effects are also strongly felt in the construction industry.

Certain changes in Canadian defence policy were outlined in the White Paper on Defence which was presented to Parliament in March, 1964. The defence forces are to become more flexible and mobile to enable them to meet Canada's commitments as effectively as possible. This will involve the integration of the three armed services, and where possible, the reduction of operating costs, and will permit increased expenditures on equipment.

A likely consequence of this new defence policy is that increases in armed forces and civilian defence employees will not take place at the same rate as during the 1950's; indeed, cutbacks may occur. In fact, employment in defence has already shown some decline from the 1961 level. The exact nature of the changes in defence policy and the effect of these changes on the provincial economy need to be investigated. The

results of the investigation will influence the types of policies required for further development in other areas of the economy.

Services

The service industries "produce" services to meet the requirements of individuals, businesses, government, and the tourist industry, and as such represent a major area of economic activity. Services thus include retail trade; wholesale trade; finance, insurance and real estate; community, professional and business services; personal, domestic and miscellaneous services; and public administration.

The service industries' labour force increased by 29 per cent between 1951 and 1961. Since defence employment increased even more rapidly, this group of industries, with defence included, raised its employment requirements by 37 per cent during the decade. These industries provided employment for 34 per cent of the Nova Scotian labour force in 1951, and by 1961 this had risen to 41 per cent. With defence included the proportions are 43 per cent and 52 per cent, respectively.

The greatest increase in labour force employment, apart from defence, occurred in community, business and professional services. Health and welfare services increased by 67 per cent, education by 58 per cent and business-management services by one-half. Of the total labour force increase of about 10,000, some 8,000 occurred in health, welfare and education.

Finance, insurance and real estate raised employment requirements by almost 60 per cent, but the number involved was small, totalling only approximately 2,000 persons. Following in order of percentage increase were public administration, 29 per cent; personal, domestic and miscellaneous services, 18 per cent; retail trade, 15 per cent; and wholesale trade, 12 per cent.

The service industries thus provide a very significant portion of the total economic activity in Nova Scotia. Moreover, the demand for labour in these industries is increasing more rapidly than in the goods-producing industries. With rising levels of personal income, with increasing leisure time, and with the growing complexity of modern society the demand for services to supply individual, business and government needs is likely to continue to expand.

Supporting Sectors

Activities concerned with construction, electric power, and transportation, storage and communications are here considered as supporting sectors. Labour force employment in these three sectors, about 17 per

cent of the provincial labour force in both 1951 and 1961, increased by about nine per cent during the decade. The highest percentage increase occurred in communications.

The total value of construction work performed in Nova Scotia increased from \$61 million in 1947 to \$219 million in 1964. Residential, building and heavy construction have accounted for about 70 per cent of all construction activity in recent years, with institutions comprising the largest portion. Highway construction and repair expenditures have experienced the fastest rate of growth among the construction components, followed by residential construction. During the 1947-64 period, the labour force engaged in construction has averaged about 18,000 annually, although the figure rose to over 20,000 in 1953, 1957 and 1959 due to large capital projects which were underway during those years.

Traditionally, the railways are the dominant handler of Nova Scotian products. During the last twenty years, however, the trucking industry has become a serious competitor of the railways, particularly in the handling of non-bulk commodities of high value. Revenue freight volumes did not show any dynamic changes during the 1953-63 period, and there has been a decline in passenger traffic, although in the last few years the public-owned national railway has improved its passenger position. Railway employment underwent a 20 per cent decline during the decade to a present level of about 5,200.

The number of employees in water transport activities declined by about 800 during the 1951-61 decade to an average level of about 3,000. Cargoes loaded and unloaded in international trade rose from 6.2 million tons to 10.7 million tons in the 1953-63 period, but coastal shipping tonnage remained about the same. At the Port of Halifax, general cargo movement has remained relatively static at about 1 million tons.

In the transportation industry, employment increases are occurring in the newer modes of transportation resulting from increasing use of aircraft and motor vehicles for moving both goods and passengers.

Employment in communications activity rose from under 3,000 in 1951 to over 5,000 in 1961, largely accounted for by increases in telephone, radio and television operations. The labour requirements of the newspapers have remained constant and those of telegraph operations have declined.

While the total labour force employed in the provision of electricity, gas and water services declined by about five per cent during the 1951-61 decade, the number of persons employed by the electric power utilities has remained fairly stable since 1948. The value of power output, on the other hand, has risen threefold.

REVIEW OF THE INSTITUTIONAL FRAMEWORK

The economy of Nova Scotia has developed within a federal constitutional structure in which a federal-provincial-municipal division of powers is a main characteristic. Some of the spheres of authority which affect the economy, either directly or indirectly, lie within the exclusive authority of the Provincial Government; others are of exclusive Federal Government concern; others of joint responsibility; and still others have been passed by the province to its municipalities.

The 1954 Economic Survey of Europe, published by the United Nations, contains a detailed analysis of the problems of regional development in Western Europe. It is stated in the report that "A number of institutional factors have the effect of perpetrating or even accentuating the existing location of industry." Some of these institutional factors are the availability of social capital, tax policies, imperfections in the credit market, railway freight rates and tariff policy. Whether or not institutional factors have been as important in Canada as in Western Europe, few will deny that they have played a significant role in the relative growth of provinces and regions within the national economy. Their effect on development in Nova Scotia must be carefully considered.

Monetary and Fiscal Policies

Monetary policy may be considered broadly as any action which affects the cost or availability of credit, and fiscal policy as the taxation and expenditure policy of government. Although the provincial governments in Canada have several agencies which lend public funds to agriculture, fishing and industry, monetary policy is primarily the responsibility of the federal authorities and has been applied indiscriminately to all parts of the country. On the other hand, since all governments are faced with the necessity of providing a wide range of services and of imposing taxes to pay for these services, the three levels of government in Canada, federal, provincial and municipal, have recourse to fiscal policy.

In analyzing data on the number of loans made by Canadian banks from April 1956 to September 1957 and from June 1959 to March 1960, both periods of monetary restraint, Dr. A. K. Cairncross in his 1961 report to the Atlantic Provinces Research Board, Economic Development and the Atlantic Provinces, concluded that the credit squeeze fell almost exclusively on small borrowers. He noted that the number of loans over \$100 thousand actually increased during the first period and fell only slightly in the second period, while the number of loans under \$100 thousand experienced a sharp decline in both periods. Since Nova Scotia contains a relatively large proportion of small and medium-sized firms which were likely to be applying for loans of under \$100 thousand, there

is no doubt that the consequences of the credit restrictions were felt with greater severity in Nova Scotia than in some of the larger provinces where a greater proportion of the business loans are for more than \$100 thousand. In addition, several of the medium and small-sized firms in Nova Scotia have located in the province within the last few years. Recent investigation indicates that such firms tend to be relatively capital intensive and hence more responsive to monetary restraint.

It must be remembered, however, that it is not only the private institutions which are involved in the provision of credit, and that a large part of the flow of credit in Canada comes from public sources through such agencies as the Central Mortgage and Housing Corporation, the Industrial Development Bank and other federal and provincial lending agencies. In periods of credit restriction to relieve the pressure of demand on available resources nationally, there is no reason why the Federal Government, through its lending agencies, need apply restrictions with equal severity in all parts of the country. These agencies might make credit more readily available in provinces or areas of the country where demand pressures are less severe. The provincial agencies, of course, need not restrict their activities at all.

Also in times of monetary restraint, the commercial banks might be encouraged to exempt certain provinces and regions where demand pressures are less severe from the full force of restrictions on credit availability. Such a move could best be brought about through a co-operative approach on the part of the Federal Government, the Bank of Canada and the commercial banks.

If general monetary restrictions aggravate persistent conditions of underemployment in certain provinces and areas of the country, there is no reason why the effects cannot be mitigated by fiscal means. A speed-up of public works projects already underway and the start of others sooner than planned would tend to offset the slowdown in private investment by diverting employment to the public sector. In this regard the Federal Government recently suspended certain public capital investment projects in areas where excessive demand pressures prevail and permitted them to continue on schedule in other areas where such conditions do not exist to the same extent.

In the field of fiscal policy, the personal and corporation income tax has received major attention for purposes of economic development, and both the Federal and Provincial Governments have rights to these taxes. Starting in 1941, a series of tax agreements were concluded between the Federal and Provincial Governments whereby the participating provinces undertook, in return for compensation, not to use, or permit their municipalities to use, these tax fields. Under the agreements cover-

ing the 1962-67 period, however, the Federal Government withdrew from a portion of the field, making way for the re-entry of the provinces. To provide the provinces with increased financial resources the federal income tax was reduced by 16 per cent in 1962, increasing to 24 per cent in 1966. The Federal Government also reduced its rate of corporate income tax by nine per cent. The provincial tax rates are not restricted to the extent of the federal withdrawal; indeed, the constitutional position of the provinces permits them unlimited use of direct taxes¹.

Since the great depression of the 1930's the Federal Government has used fiscal policy, particularly the income taxes and certain areas of government expenditure, to reduce business fluctuations in the private sector of the economy. More recently, the corporation income tax has been used to encourage longer-term economic development. In 1961, double depreciation, permitting a faster write-off of assets for firms manufacturing a product new to Canada, or new to a designated area of surplus manpower, was introduced to stimulate private investment. A new tax incentive programme became available in 1963 permitting new and existing manufacturing and processing firms, provided they are at least 25 per cent Canadian owned, to deduct depreciation for tax purposes at the rate of 50 per cent per annum on a straight line basis. If such firms locate in a designated area of surplus manpower they may claim exemption from income taxes for three years, write-off the cost of machinery and equipment in their fourth and fifth years at the rate of 50 per cent per annum, and write-off the cost of new buildings at the rate of 20 per cent per annum. To qualify for these incentives firms must purchase new assets, and new business must come into existence by March 31, 1967.

More recently, new policies have become available to encourage industrial development in designated areas of slow growth. These include a grant to manufacturing and processing firms equal to one-third of the first \$250 thousand of capital investment, one-quarter of the next \$750 thousand and one-fifth of investment over \$1 million—with a limit of \$5 million per grant. These grants apply to buildings, equipment, water supply, sewage disposal, electric power supply and company-owned wharves and docks. The grants are not to be deducted from the capital against which allowances may be claimed for tax purposes.

Tax incentives represent a fiscal device from the point of view of taxation, grants from the point of view of expenditure. As to the relative merits of these two approaches, Professor T. Wilson in his report of 1964

1. These rates of federal withdrawal from the personal and corporate income tax fields are those of the general agreements. Different rates apply under special conditions to particular provinces.

to the Atlantic Provinces Research Board, Financial Assistance with Regional Development, noted:

"In general, direct grants are to be preferred to tax inducements. The value of grants can be better assessed beforehand, and their receipt will help a firm during the difficult settling-in period. Grants can also be used more selectively than tax incentives."

In any society, an adequate system of schools, hospitals, public buildings, roads, water supply, urban renewal, harbour facilities and other public investment is necessary to encourage industrial location and to meet other economic and social needs. At any point in time there is a demand for new public capital spending and at the same time the resources available to meet this demand are limited. However, some capital spending projects are more important than others in meeting the economic and social needs of society, and these should be given priority in a public spending programme.

Public investment is a growing area of economic activity, and in Nova Scotia is relatively more important than in Canada as a whole. During the 1955 to 1964 period new capital investment by governments and institutions accounted for 31 per cent of total new capital investment in Nova Scotia, and in Canada for 21 per cent. For the future a carefully prepared programme of public capital investment, with priorities assigned individual projects, is necessary to encourage private investment, to meet other economic and social needs within the limitations imposed by the availability of resources, and to ensure the full implementation of any plan for economic development.

It must be remembered that the federal and municipal governments are heavy capital spenders, and a programme of public investment must incorporate the capital spending intentions of all three levels of government. The development of the programme requires co-ordination between all levels of government. Since the Atlantic Development Board is an agency of the Federal Government, with specific responsibility for the Atlantic region, it should act on behalf of the Federal Government in this regard. A public capital spending programme would thus be the result of a co-operative and co-ordinated approach by the Atlantic Development Board, the Provincial Government and the municipalities of the province.

Commercial Policy

Until the mid-nineteenth century, Nova Scotia concentrated her efforts on producing goods for local and international markets. With the technological and political changes which occurred about that time a

considerable portion of these efforts became directed to producing goods for sale in central Canadian markets. At the same time, since the Federal Government assumed responsibility for matters of international trade at Confederation, Nova Scotia was brought within the area of Canadian commercial policy. Canadian commercial policy has been protectionist and was designed to unite the several parts of the new nation both politically and economically, and to encourage the development of a Canadian manufacturing industry. International regulations governing the conditions under which the province's international trade takes place generally discourage the export of fully-manufactured products and encourage the export of raw, or semi-processed materials.

The demand for exports represents an important component of the Nova Scotian economy. The value of exports is equal to between 21 and 28 per cent of the net value of goods produced. However, the relative importance of exports has changed little since 1950.

The dependence of the provincial economy on the export trade varies considerably from sector to sector. In the case of fish and fisheries products, up to one-half of the output has entered export markets in recent years. Coal accounts for about three-quarters of mineral production but very little coal is exported. During the post-war period about three-quarters of non-metallic mineral output has been exported while output and export of metallic minerals have been sporadic.

Exports of iron and steel products have increased considerably in recent years, from between two and seven per cent of output in the 1951-55 period to about 33 to 35 per cent during the last few years. It appears that exports of primary products, including railway track, have been the main stimulus. There has been a marked cyclical pattern in exports of forest products but very little long-term growth is evident. Approximately 90 per cent of paper and woodpulp output is exported, and exports of sawmill products have ranged from 13 per cent to 36 per cent of output.

Despite the diversity of goods exported from Nova Scotia a limited number of products dominate the province's export trade. Exports of fish products, pulp and paper, and iron and steel products make up approximately two-thirds of the total, and this pattern has generally persisted throughout the post-war period. The most important increases in export values have come from the pulp and paper and fisheries sectors. Exports of most other commodities have been of limited significance and have shown little tendency to grow.

Prior to World War II the United Kingdom was the principal market for Nova Scotia's exports. Today only lumber, iron and steel products,

furs, apples and a few miscellaneous manufactured goods are sold there to any significant extent. The volume and diversity of exports to other Commonwealth countries have also declined in recent years. One of the most interesting post-war developments has been the increase in value and diversity of exports to Latin American markets. At the present time these markets are an important outlet for fish and other food products, iron and steel, machinery and a wide range of other manufactured goods. Exports to both the European Free Trade Area (excluding the United Kingdom) and the European Economic Community are still small although exports of skins, pulpwood and metallic minerals to Common Market countries have increased in recent years.

The United States is by far the most important market for Nova Scotian exports, absorbing about 60 per cent of all provincial exports in the 1960-63 period. Despite this high dependence on the American market the degree of dependence is less than in the 1930's. Not only more but a greater variety of goods are exported from the province, and these exports go to more countries. Generally speaking, the United States is the principal market for primary commodities and the Commonwealth (including the United Kingdom) for manufactured goods.

Since 1950 most of the increase in world trade has been in manufactured goods. Substantial gains in the importance of exports to the Nova Scotian economy demands that the volume and diversity of manufactured goods produced in the province will also have to be increased. This fact should be taken into consideration in any examination of changes required in Canadian commercial policy.

Transportation Policy

From earliest times in Canada transportation has been a matter of general public concern. Before Confederation, ocean links had been established between the Maritime Provinces and Britain, the West Indies, the eastern seaboard of the United States and many other overseas points. After 1867, railways were constructed linking the Maritimes with the central provinces of Canada, and railway freight rates became a major item of transportation concern. More recently newer modes of transportation, principally air and highways, have developed. While rail and air transport facilities are generally the concern of the Federal Government, the growing use of road transportation has produced a larger role for the provincial governments in the field of transportation.

Shortly after Confederation, the Intercolonial Railway was constructed and the rate structure on the railway was kept low to facilitate the movement of Maritime goods to central Canadian markets and of central Canadian goods to Maritime ports. After 1912, however, in a

general trend of rail freight rate increases, rates on the Intercolonial Railway increased very substantially. The Maritime Freight Rates Act of 1927 provided that rates on the railway within the Maritimes and westward to Levis, Quebec should be reduced by 20 per cent, and the difference paid by the Federal Government. After the passing of the Act, Intercolonial rates began to rise again faster than increases in the central part of the country, and in 1957 the 20 per cent reduction was raised to 30 per cent on freight moving out of select territory to points west.

In its submission of 1960 to the Royal Commission on Transportation, the Maritimes Transportation Commission recommended that any revision of the Maritime Freight Rates Act should contain three provisions:

- "1. It must be able to bridge the gap between Maritime and Central Canadian producers in the important market of Central Canada.
2. It must do this over time and must, therefore, contain a mechanism which will compensate for rate distortions arising (a) from disparities in the intensity of carrier competition in the two territories, and (b) from horizontal percentage rate increases.
3. It must not deprive Atlantic Provinces shippers of the opportunity of availing themselves of services and rates of carriers other than the railways."

The Royal Commission, in its report, concluded that the objectives of a national transportation policy are the efficiency and economy of the transportation system. The report also claimed that national policy for economic development was beyond its term of reference but that "... transportation may be an effective instrument to use for the pursuit of national policy objectives, particularly where great distances are a limiting factor to balanced national growth." Later it stated that "Should it ... be deemed advisable to give special assistance to the Atlantic Provinces to overcome economic lag, such special assistance might well be designed to assist the movement of the products of secondary industry where it will have the greatest employment generating impact."

Nova Scotia manufacturing industries have obvious disadvantages in central Canadian markets. However, a substantial market for the province's manufactured products has developed in Canada over the years. In 1960, for example, it appears that about 40 per cent of Nova Scotia's manufactured products which were sold outside the province went to Canadian markets outside the Atlantic Provinces. It appears also that about 63 per cent of the province's manufactured products which were sold in Canadian markets outside the Atlantic region were primary metal and machinery products and transportation equipment. These industries were responsible for about 30 per cent of the gross value of

manufacturing in Nova Scotia that year. Nova Scotia, therefore, has an interest in the continuation of adequate transportation facilities at reasonable cost to central Canadian markets. In the foreseeable future a substantial portion of Nova Scotian goods will depend on Canadian markets.

Highway transportation is playing an increasingly important role in the movement of goods. It has been suggested that provincial and municipal tax legislation and regulations with respect to motor carriers are inhibiting factors in the more efficient development of this method of transportation. In view of the importance of highway transport within Nova Scotia, and between Nova Scotia and other market areas, this matter should be examined and appropriate steps taken to relieve any such conditions. This would include, of course, steps to provide a system of all-weather trunk highways and adequate ferry service to New England points. Motor carrier firms must strive to improve their efficiency and organization in providing transportation services.

In addition to railway policy the Federal Government has a primary responsibility for national ports. The Port of Halifax has been losing substantial amounts of cargo over the last few years. This has resulted from increased competition from Saint John, but more so from the St. Lawrence ports of Quebec, Three Rivers, and to a lesser extent, Montreal. The loss to St. Lawrence ports resulted mainly from the extension of the shipping season on the lower St. Lawrence. The Federal Government's ice breaking services there have delayed port closure in the river from early December to early January and advanced the re-opening from late to early April.

Halifax has also to compete with eastern American ports which offer more shipping frequency, as well as service to a greater variety of overseas ports, and which are located closer to central Canada. At present imports destined to central Canada coming under the Commonwealth Preferential Tariff favour Halifax to American ports because preferential treatment is accorded only to imports which are landed directly at a Canadian port. When these imports are landed at an American port they are subject to the Most Favoured Nation Tariff which is generally higher than the Commonwealth Preferential Tariff. Any general tendency towards lower tariffs makes the difference between the two rates less and affects the competitive position of Halifax. Any decline in the relative position of Commonwealth imports to Canada would also affect the business of the Port of Halifax.

Manpower Policy

The permanent subsidizing of unemployed and underemployed workers represents two types of cost to society. First, there is the direct

cost in terms of unemployment insurance and other welfare assistance programmes designed to provide a minimum standard of living. Secondly, there is the indirect cost which arises from the fact that total output is lower than it would be under conditions of full employment. This cost is just as great or greater than the cost of supporting unemployed workers. It is even greater if the worker is unemployed while there are expanding industries and localities in the province which are suffering from labour shortages.

The object of manpower policies should be to equate the supply of and demand for labour in localities and occupations in such a way that manpower resources can be most productively utilized, or in other words, to promote the occupational, industrial and geographical mobility of the labour force. Manpower policy is an important weapon to promote other economic goals such as increased productivity and output as well as full employment.

The National Employment Service is the logical agency to implement an effective manpower policy in Canada, and it must be given sufficient authority and resources. The separation of the Service from the Unemployment Insurance Commission was a step in the right direction. The more recent creation of a Department of Manpower by the Federal Government, including not only those manpower programmes and policies in the Department of Labour, but also those in the Department of Citizenship and Immigration, is even more important in its apparent implication.

The need for effective manpower policies becomes apparent from a review of recent changes taking place in the provincial economy. Examples such as the shift in the population from rural to urban centres and the continued substitution of capital for labour, particularly in the resource industries, point out the need for occupational, industrial and geographical mobility. Moreover, labour force mobility is an important factor in any move to encourage growth through the development of concentrated growth centres.

Prior to 1937, one of the major causes of industrial disputes, apart from the question of wages was that of union recognition. Following the pattern of the Wagner Act which was enacted in the United States in 1935, Nova Scotia enacted the first trade union act in Canada in 1937. This act gave employees the right to organize into trade unions, and provided for a voluntary revocable check-off of union dues under certain conditions, a principle not yet incorporated in some labour codes in Canada. This act remained in effect until 1947, when it was supplanted by a new act modelled on P.C. 1003, the Wartime Labour Relations Act, which was enacted by the Federal Government in 1944 as a war emergency

measure. The new act established a procedure dealing with applications for certification of trade unions and other related matters by the Labour Relations Board, and established a conciliation procedure to be followed in the event that the parties negotiating a collective agreement were unable to effect a settlement.

This legislation worked fairly well for a number of years. Up until 1959 most of the disputes were settled at the direct negotiation level with the assistance of a conciliation officer. However, in 1959 approximately 15 per cent of the conciliation cases were referred to conciliation boards, and in the ensuing five years this figure increased to over 37 per cent in 1961-62.

The McKinnon Commission, after making a study of the Nova Scotia Trade Union Act, and the labour legislation in other jurisdictions, presented a report to the legislature in 1962 emphasizing the importance of labour and management making a concerted effort to solve their own problems with a minimum of government intervention, which was the reverse of the trend of referring more and more disputes to conciliation boards. The report was referred to a select committee of the legislature for study.

During the same period, a Joint Labour-Management Study Committee also was established under the auspices of the Dalhousie Institute of Public Affairs to study the McKinnon Report, and explore new avenues of approach to problems in the labour-management relations field. The government has been making an annual grant, through the Department of Labour, to the Institute of Public Affairs to carry on educational work in the industrial relations field.

Since the establishment of the committee four conferences have been held, and agreement reached on a number of important matters at each meeting.

At the first Joint Labour-Management Study Conference held in 1962, one of the important points agreed upon was a moratorium on separate appeals by labour and management for amendments to the Trade Union Act until all approaches to closer union-management co-operation had been examined.

At the second conference held in 1963, it was agreed that the moratorium should be temporarily lifted. Labour and management agreed on legislative amendments to the Trade Union Act, and made a joint brief to government requesting that the legislation be amended accordingly. After consultation between representatives of government and the Joint Labour-Management Study Committee, agreement was reached regarding amendments to the Trade Union Act substantially in the form recommended by the Joint Labour-Management Study Committee.

One of the most important amendments was the change in conciliation procedure whereby a conciliation board would not be appointed unless both parties to the dispute made application to the Minister of Labour for the appointment of a board. It was hoped this would have the effect of making more realistic bargaining at the direct negotiation level, with a minimum of government interference, which is the theme of the McKinnon Report. This objective has been achieved.

Although the time which has elapsed since the enactment of this amendment in the spring of 1964 is relatively short, it would appear that it has assisted materially in developing a climate conducive to good labour-management relations in the province.

From a high of over 37 per cent of cases referred to conciliation boards in 1961-62 this figure was reduced to just over three per cent in 1964-65. During this period the man-days lost in Nova Scotia compared to Canada as a whole decreased from 3.6 per cent to 0.5 per cent, while the labour force in Nova Scotia remained a constant 3.6 per cent of the Canadian total.

A joint brief was again submitted after the third conference held in the fall of 1964, and as a result, further amendments were made to the Trade Union Act. At this conference an extensive report from the Automation Sub-committee was adopted. The report dealt with the impact of automation and technical change within a company, and has been widely distributed.

At the last conference, held in November 1965 a second report from the Automation Sub-Committee was adopted in principle. This report outlines the impact of automation and technical change on the public and community when the stresses become too great for handling at industry level and when the co-operation of labour, management and government is required. It was requested that the federal and provincial governments should study the recommendations in the report in consultation with labour and management representatives. Such discussions are already taking place.

Within the organization of Voluntary Economic Planning, advisory councils to the Board may be established and the Board is pleased to report that the Joint Labour-Management Study Committee has consented to serve as its Industrial Relations Advisory Council.

Education

It is self evident that the economic health and prosperity of a community, region or country is directly related to the educational achievements of its citizens. Quite apart from the intrinsic value of high levels of educational achievement, in terms of the social and cultural

life of a community, the material welfare of a region is so dependent upon the technical performance of its people that a maximum level of education is now mandatory to prosperity and economic growth. In Canada, education at all levels is a provincial responsibility and, therefore, can be connotated with the intellectual and material achievements of the people of the province.

In the past, the primary and secondary schools and the universities of the province have produced a more than adequate number of professionally trained people. Many of these highly educated personnel have migrated from the province due to the lack of local opportunities. At the same time, it is evident that the province has not produced sufficient numbers of skilled and well trained technicians and tradesmen to meet the demands of a growing industrial economy. While an increased emphasis on technical education and training can provide, in the future, an adequate supply of qualified personnel in this category, salaries competitive with those prevailing elsewhere must be offered to prevent the inevitable drain of these essential human resources from the province.

The educational needs of the province may be viewed from, firstly, a short term policy which is concerned with the immediate needs of the existing and proposed industries within the province. Secondly, but by no means of less importance, is the long term need for better primary and secondary educational facilities and the requirements of our rapidly expanding universities. Technical and vocational training facilities until 1963 were extremely limited with only two Vocational High Schools, one in Halifax and one in Yarmouth, offering anything in the way of a broad programme. In addition, skills could be acquired through commercial courses in high schools, the Nova Scotia Agricultural College, the Land Survey School, nurses training and correspondence courses. In 1960 the passage of the Technical and Vocational Training Assistance Act brought about an expansion of vocational facilities. These included new vocational high schools at Kentville, Springhill, Sydney and Stellarton and an expansion of the two existing establishments. However, in 1963 the Nova Scotia enrolment in vocational schools amounted to only 1.73 per cent of the total equivalent enrollment in Canada: a little more than half of what should be expected on a per capita basis.

The new Institute of Technology in Halifax was also constructed, producing its first two-year post high school graduates in June of 1965. While a start has been made on this type and level of post high school training, it is significant that in 1965 only 22 graduates were produced in Nova Scotia as against over 4000 in the whole of Canada. It should be emphasized that most of the new facilities are geared to the training

or education of young persons at, or beyond, entrance to the senior high school level. A growing problem in Nova Scotia, and indeed in all of Canada, is preparation for employment of students who cannot or will not proceed beyond Grade IX. This need is accentuated by the growing complexity of modern industry and the elimination of non-skilled jobs by automation. Compounding this problem of training youth for industry is a backlog of adults with a minimal educational achievement who must be trained, or retrained, for employment in modern industry. While a start has been made on the problem of adult education it appears that, as well as increased facilities, a comprehensive public relations programme is required to acquaint those who need this training with the opportunities that already exist.

In the longer term view, one of the most serious problems is the relatively large number of early "drop outs" from our high school system. In 1963 the drop out rate to Grade XI in Nova Scotia was 55.7 per cent compared with 55 per cent for the whole of Canada at the corresponding level. By 1965 this figure had improved in Nova Scotia to 44.5 per cent but drop outs still remain a national problem. Until this year, the minimum entrance requirement to Nova Scotian universities was Grade XI, Junior Matriculation. However, at least one university (Dalhousie) is requiring Senior Matriculation in September 1966. This change, particularly if followed by other universities, will increase the retention rate of Grade XII and will offer a severe challenge to our high school system to provide adequate quantity and quality of Grade XII offerings, where today only 27.4 per cent are proceeding to Grade XII.

It is evident that overall earnings are closely related to formal educational achievement. It has been estimated that a youth with four years of high school will achieve, over his working career, double the income of a class mate who left school after eight years of elementary education. Additionally, the income of a university graduate will normally be twice that of a high school graduate. Every effort must be made to acquaint the youth of the province with the material advantages, as well as the aesthetic, or maximum educational achievement and to provide the additional facilities for increased high school and university enrollment.

It has been amply demonstrated, in other geographical areas, that the existence of vigorous institutions of higher learning tends toward the development of thriving industries which are based upon science and technology. Universities of excellence not only produce highly educated and trained professional persons, but also attract to their environment the most desirable kind of communities on which modern industrial and commercial complexes are based. Additionally, strong graduate schools in these universities act as catalysts for new enterprises which are the

life blood of an expanding economy. Consequently, while our existing universities must be congratulated for their past efforts, they must also be encouraged, in every way, to develop the excellence and quality of their undergraduate and graduate programmes.

III

FUTURE GROWTH THE PROBLEMS AND POLICIES

The First Plan states the conclusions reached, to date, by the Voluntary Planning Board concerning consolidation and assessment of the problems of and recommendations for economic development in Nova Scotia. Part of this process has been the determination of short and long-term economic goals for the province and setting growth targets for both the private and public sectors of the economy. Another function of the Board has been to assess sector committee recommendations, and to present those recommendations which are considered to be of assistance in the attainment of short and long-term goals and targets.

GENERAL AIMS AND GOALS

At an early stage in its work, the Board, in exercising its responsibility for preparing an overall plan for the economic development of Nova Scotia, had to determine the nature of the economic challenges confronting the province in order to establish suitable economic goals as a framework for economic planning. Such goals provide guidance for committees in their preparation of sector plans and also assist the Board's own staff in drawing the sector plans and also preparation of the overall plan. The economic goals also provide criteria against which recommendations advanced by sector committees, and other proposals considered by the Board, can be assessed.

The ultimate aim of economic development in Nova Scotia should be to provide the kind of economic system in which all Nova Scotians can participate by making contributions based upon their abilities and receiving, in return, a share of the benefits which result. Such an economic climate would also provide the necessary scope for Nova Scotians to

pursue the challenges confronting them in the political and social spheres. Under improved economic conditions Nova Scotians would be given an even greater opportunity to play a worthy and significant part in Canada's economic, political and social life.

Setting specific social objectives for Nova Scotia is not the primary role of the Board. Nevertheless, in determining its ultimate economic objectives or goals, the Board has had to relate these to the general consensus in the province as to what social goals are important. It is assumed that the great majority of Nova Scotians would subscribe to a rising standard of living (including more recreation facilities and other social amenities), an increasing level of economic freedom and opportunity, an adequate degree of economic security, the production of goods and services in accordance with consumer demands and public needs, and an equitable distribution of income. These social goals are ones which Nova Scotians share with other Canadians.

The Board has established the following economic goals for Nova Scotia:

1. the highest possible rate of growth with an equitable distribution of per capita income;
2. the highest possible level of employment;
3. the achievement of the highest possible increase in productivity;
4. the development of all the resources of the province to the highest point of efficiency; and
5. the achievement of a climate, both economic and political, that will encourage the development of new industries and the expansion of existing industries.

These are desirable goals, but they are not likely to be attained easily or quickly. Their attainment will require a sustained effort by government through various economic measures, and the private sector must exhibit determined, progressive action.

The Economic Council of Canada has stated that our national economic objectives are a high level of employment, an adequate and sustained rate of economic growth, reasonable price stability, a viable balance of payments position and an equitable distribution of rising income.

The national economic objectives set by the Economic Council of Canada and the provincial goals set by the Board parallel each other very closely, which is not surprising as the two organizations are striving to achieve the same basic ends.

Strategy in the Long-Term

Once general economic goals are established, it becomes necessary to consider in a general way the means by which they are to be attained in the long-term. The determination of such long-term "strategy" is a step which must be taken before the content and scope of more specific plans, covering shorter and more immediate periods, can be considered.

One means of developing such a strategy is to consider what structural changes in the Nova Scotia economy should be encouraged. The Board has decided to promote the achievement of the most efficient economic structure possible—in other words, to encourage the growth of competitive and self-supporting activities in all sectors of the provincial economy. This approach seems most likely to achieve the provincial economic goals mentioned above. A corollary to this approach is that planning must encourage the ultimate termination of economic activities which are obsolete or not competitive.

Such drastic changes cannot be brought about overnight. In the short-term, planning must include policies and measures to ensure that such structural changes take place with a minimum of hardship for those concerned. Persons displaced from declining industries should be absorbed into growing ones. However, planning must provide interim means of support for those people affected. Interim means may take the form of direct assistance to those affected or indirect assistance through subsidies to maintain the declining industries temporarily through the transition period.

With all this in mind, the Board has attempted to formulate an overall development strategy for the long-term to be used as further guidance in the preparation of specific plans covering shorter periods.

In the case of voluntary economic planning for Nova Scotia, the process of evaluating the long-term structural changes required has proceeded concurrently with the preparation of the First Plan. The Board has not yet had adequate opportunity to specify, in detail, the changes required. It has had to be content with indicating the general direction of these changes and to use this as a guide in preparing the First Plan. Generally speaking, the structural changes will consist mainly of greater expansion in the size and importance of secondary manufacturing and the service industries.

Strategy in the Short-Term—The First Plan

In preparing the First Plan for Nova Scotia, the Board found it necessary to choose from its list of five economic goals, those which should receive most emphasis during the initial planning period. Nova

Scotia has long been plagued with an unemployment rate higher than the national average rate, and like the other Atlantic Provinces, has more than her share of underemployment and part-time, often subsistence, economic activities. The relative lack of permanent, full-time jobs is a feature of the provincial economy. The obvious corrective would be the creation of new jobs to reduce Nova Scotia's labour surplus.

Moreover, this need for new permanent jobs is likely to be aggravated in the near future by the acceleration in the rate of labour force growth that is expected throughout Canada.

Increased employment for its own sake, achieved in any way possible, would not constitute a worthwhile contribution to economic improvement in Nova Scotia. If the gains are to be real, it is necessary that any new jobs created should be permanent. The Board therefore considers that new job opportunities should be encouraged only in economic activities which are, or can become, efficient and self-supporting. More jobs of this kind would represent a valuable step in the direction of making the whole provincial economy efficient and more dynamic.

In addition to the direct creation of new jobs in efficient, economic activities, there are proposals which are also included in the First Plan because they will assist in laying the groundwork for further economic improvement after the first planning period.

The Board has accordingly selected from its longer-term goals for the 1965-68 period:

1. an increase in the rate of growth of employment;
2. the establishment and expansion of efficient and self-supporting economic activities to provide new employment; and
3. the laying of suitable groundwork for future growth and development in accordance with the long-term economic goals.

Achievement of these three specific goals during the first planning period would ensure real progress toward the ultimate attainment of the five general economic goals. The creation of new productive employment at a faster rate than in the past implies, in itself, an increase in per capita income. This will be particularly so if these jobs are filled by persons who would otherwise have been unemployed or employed in activities where their returns would be less than in the newly created activity.

Similarly, the creation of new productive employment should contribute to a rise in the general productivity of the Nova Scotia economy. At a later stage, in an environment of more rapid economic growth, the planning emphasis should include more direct measures to improve the productivity of certain existing industries. For the immediate future,

however, it is considered more appropriate to place the planning emphasis on achieving higher productivity mainly through the creation and encouragement of new productive employment.

This approach to the First Plan should also result in a further improvement in Nova Scotia's economic climate and thus encourage the development of new industries, and the expansion of existing ones. The emphasis on encouraging efficient enterprises in the first planning period, and the laying of suitable groundwork to assure more progress in this direction as later plans are executed, is a necessary first step in this direction. It will require a large increase in the rate of new capital investment for the provision of new employment, an increase in the capital intensity of present employment as well as the provision of an expanded infrastructure, including expanded educational programmes in vocational and academic fields.

LONG-TERM TRENDS

The quantification of the economic goals into specific targets for the planning period requires the establishment of future trends in the province's population and labour force. Unlike the targets, the future population and labour force can be estimated on a short-term basis by reviewing their structure and past trends. To provide more perspective, these trends have been projected to the end of the second planning period, 1972.

Population Growth

Nova Scotia's population reached an estimated 760,000 persons during 1964. It is anticipated that it will grow by 5.0 per cent in the period from 1961 to 1966 as compared to a past growth of 6.1 per cent during the 1956 to 1961 period. Growth from 1966 to 1971 has been estimated at 4.9 per cent. Accordingly, Nova Scotia's population will reach 790,000 persons in 1968, implying an increase of 30,000 persons during the first planning period or an average annual rate of increase of one per cent. The estimate for 1972 is 820,000 persons, which means an addition of 30,000 persons during the second planning period.

Summary of Population Characteristics²³

	1964		1968		1972	
	Number (‘000’s)	Index 1964 = 100	Number (‘000’s)	Index 1964 = 100	Number (‘000’s)	Index 1964 = 100
Total						
Population	760	100.0	790	103.9	820	107.9
0-19						
Years Old	334	100.0	349	104.5	363	108.7
20-64						
Years Old	361	100.0	373	103.3	386	106.9
65 Years Old and Over	65	100.0	68	104.6	71	109.2

*mid-year basis

Source: V.E.P.

The table above shows the expected composition of the population in 1968 and 1972. While the male to female ratio is expected to remain close to the present figure of 1.03, certain structural changes will take place among the age groups. The “0-19” years old group is expected to gain less than during the last decade, the age group “20-64” will grow slightly faster than during the last decade, provided the rate of out-migration remains at the current level, and the group “65 years and over” is expected to grow steadily, following the present trend.

The post-war baby boom is a factor of special significance to the changes in population. Firstly, it will increase the “20-64” age group considerably between 1968 and 1972. Secondly, it will cause the marriage rate and the birth rate, which both reached a low level in the early sixties, to increase approximately to the levels experienced in the mid-fifties. Finally, it might also affect the out-migration rate during the 1964 to 1972 period.

In Canada only four provinces—Quebec, Ontario, Alberta and British Columbia—have experienced positive net-migration (inflow exceeded outflow) during recent years; all other Canadian provinces experienced a negative net-migration (outflow exceeded inflow). In the period 1951 to 1956 Nova Scotia had a negative net-migration of 11,000 persons, according to estimates of the Dominion Bureau of Statistics, which reached 22,870 persons in the period 1956 to 1961. This was caused mainly by good employment opportunities in central Canada and in the United States. It is likely that the anticipated increase in the number of young people during the next decade will tend to keep out-migration up. On the other hand, because a strong increase in the

total labour force is expected to occur throughout Canada, it could become difficult for emigrating Nova Scotians to find employment in the traditional regions of expansion, a condition which may tend to discourage out-migration. Experience has shown that it is extremely difficult to predict out-migration, but it seems reasonable to expect an annual net outflow of 0.4 per cent to 0.6 per cent of the total population during the next decade.

The estimates of population trends are based on the assumption that there is no major withdrawal of defence personnel from the province over the planning periods.

Labour Force Growth

The labour force estimates were determined on the basis of the derived population estimates and historical information concerning the labour force and its characteristics.

Summary of Labour Force Characteristics

	1964		1968		1972	
	Number (‘000’s)	Index 1964=100	Number (‘000’s)	Index 1964=100	Number (‘000’s)	Index 1964=100
Total						
Labour Force	240.8	100.0	247.1	102.6	254.4	105.6
Male						
Labour Force	179.9	100.0	182.6	101.5	185.7	103.2
Female						
Labour Force	60.9	100.0	64.5	105.9	68.7	112.8

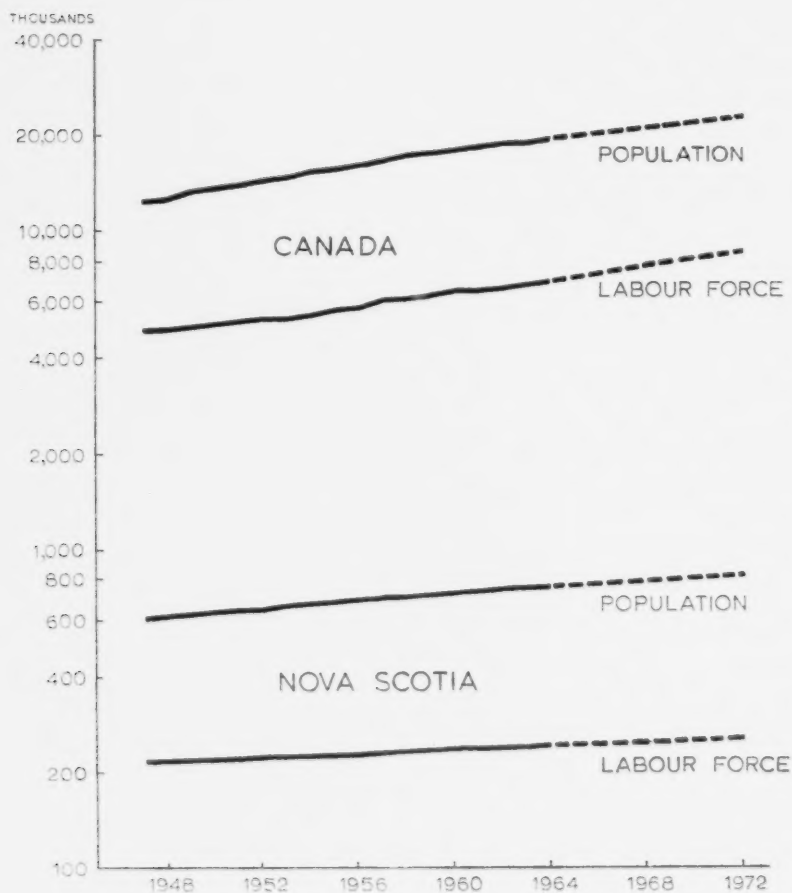
Source: V.E.P.

The table above shows that the total labour force is expected to increase by 6,300 persons between 1964 and 1968 (2,700 males and 3,600 females), and by 7,300 persons between 1968 and 1972 (3,100 males and 4,200 females). The average annual rate of increase during the first planning period is expected to be 0.6 per cent.

The expected large increase in the “20-64” age group after 1968 will cause the growth of the labour force during the second planning period to exceed that of the first planning period.

In making these projections it was assumed that the “15-19” age group will be of decreasing significance, because an increasing proportion of individuals in this group will be occupied with their education and training. It was also assumed that the female participation rate will increase further during the coming decade. The composition of the labour force will change from about 75 per cent males and 25 per cent females to about 73 per cent males and 27 per cent females.

FIGURE 4
POPULATION AND LABOUR FORCE
CANADA AND NOVA SCOTIA



SOURCE: Based on data from the Dominion Bureau of Statistics, projections for Canada by the Economic Council of Canada, projections for Nova Scotia by Voluntary Economic Planning.

The relationships between the past growth in population and labour force and the expected changes up to 1972 are shown in Figure 4. It is

apparent from this graph that Canada's rate of growth in population and labour force will continue to be higher than the rate of growth for Nova Scotia. These projected trends provide the basis for establishing target values for the first planning period.

PROVINCIAL TARGETS

A growth target indicates the direction and the approximate magnitude of the change which is desired during a forthcoming planning period. The desired target value is based on the latest available information and its attainment assumes successful implementation of policy and technical recommendations. Thus a target differs widely from an econometric forecast or a graphical projection which are the two well-known prediction techniques. The purpose of the target is simply to influence the future course of the economy. A target should not be fixed at an unrealistically high level, but it must be ambitious in order to serve as a challenge. The magnitude of the desired change will always be subject to revision as new quantitative information and new knowledge become available during the planning period. However, this does not detract from the target's importance. As others have stated, its precise quantitative value is far less important than its purpose of indicating the direction to be taken to fulfill certain goals. Growth targets are stated in terms of annual rates of growth, indicating the annual per cent change desired in order to reach a certain level at the end of the planning period.

Progress in achieving the overall goal of a higher standard of living in the province can be measured by the growth of per capita income, and can be expressed in targets relating to the growth of the province's output, and the growth of investment, employment and productivity to make this output possible. Finally, consideration should be given to the general structural shifts required in order to achieve and maintain an efficient and competitive economy.

These key indicators of economic growth, income, output, employment, investment and productivity are all interdependent. However, due to the limited amount of statistical data available at the provincial level and to insufficient analysis, it is impossible to determine specific target values for all of these indicators for the first planning period. For the purposes of the First Plan, only two targets have been selected for specific quantification. These are:

1. the annual rate of growth in provincial employment; and
2. the annual rate of growth in capital investment.

Due to its comprehensive nature as an indicator of economic growth and prosperity, income will be examined prior to establishing targets for employment and investment. While no specific target values are established for income, output and productivity, the recommended policies contained in the plan are aimed at increasing the growth of these variables.

Income

The employment and investment targets, together with the recommended policies will have an important effect on income levels. The size of the economic obstacles with which Nova Scotia is faced and the effect on income of these targets and policies is examined through a discussion of the differences in income levels between Nova Scotia and the nation as a whole.

As a measure of income, personal income data are used. Personal income may be defined as the sum of all income received before deduction of personal direct taxes, thus it is the total amount of money people have for spending, saving and paying taxes. It includes government transfer payments but excludes undistributed earnings and profits; however, in the case of farm income and income originating from other unincorporated business total net income is included. When put on a per capita basis, personal income provides a means of making inter-regional comparisons and for measuring changes within the same area over a period of time. In addition to raising the average per capita income, planning must seek to ensure that all income groups benefit from this increase.

In order to be able to measure any real changes that occur, it is customary to state income in terms of constant dollars, thus excluding increases due to inflation. This is achieved by dividing income by an appropriate and reliable price index, e.g. the general consumer price index. Since such an index is not available for the provinces (the consumer price index published for Halifax is not considered sufficient for provincial planning purposes) it was decided to state income on a current dollar basis. It will be assumed that inflation has occurred in Nova Scotia to the same degree as it has in Canada.

In comparing the past trends in per capita personal income of Nova Scotia and Canada, in Figure 5, it becomes obvious that the margin of difference has increased since 1948¹. The gap has almost doubled since 1948 to amount to \$459 in 1964². While the absolute difference or gap

1. By using 1947 as the base the change is exaggerated, being influenced by the effects of war on the provincial economy.

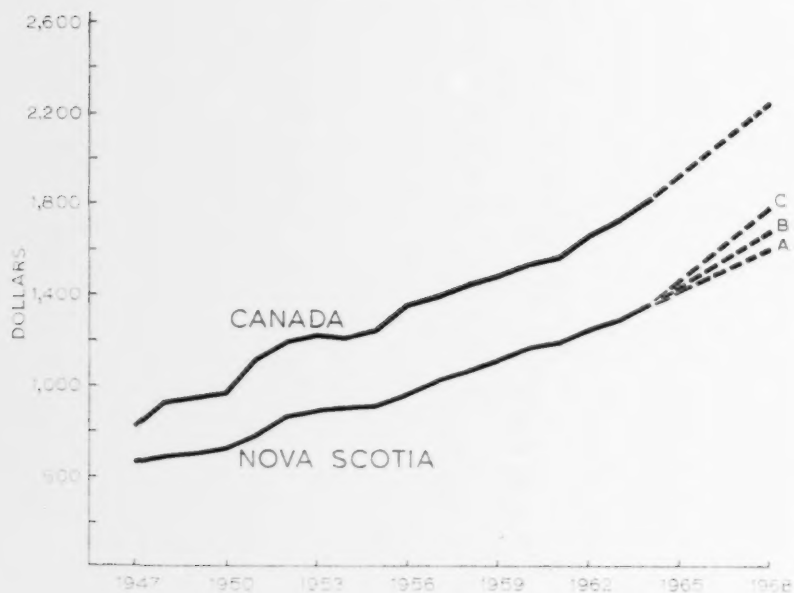
2. This increased difference is distorted by using current dollars. The real change is closer to an increase of 40 per cent over the 1948 disparity.

has been increasing, the percentage difference has remained relatively constant. Nova Scotia's per capita income has been 25 to 26 per cent below the Canadian average. While there is no discernable trend towards a widening or narrowing of this percentage difference since 1948 there have been cyclical fluctuations. During the years when Canada's economy has grown rapidly and hence her per capita income has done the same, Nova Scotia's per capita income has fallen to 30 per cent below the Canadian average. The reverse situation is also evident. During periods of slow growth in the Canadian economy Nova Scotia's per capita income has risen to 23 per cent below the Canadian average.

FIGURE 5

PER CAPITA PERSONAL INCOME

(CURRENT DOLLARS)



SOURCE: Based on data from the Dominion Bureau of Statistics, projections by Voluntary Economic Planning, projected for Canada based on the goals established by the Economic Council of Canada.

To improve this situation Nova Scotia's rate of growth must exceed the national average. If Canada's per capita income increases in line with the targets recommended by the Economic Council of Canada

(Figure 5) and Nova Scotia's continues along its past growth trend of 4.3 per cent per year the gap will increase to approximately \$645 in 1968 and the percentage difference will increase to 29 per cent below the Canadian average as shown by line A. If the province is to maintain the present 25 per cent disparity and thus allowing the gap to increase to \$560 the annual rate of growth must increase to 5.5 per cent (line B). While if Nova Scotia is to maintain the present absolute differential of \$459 and thus close the percentage disparity to 21 per cent the annual growth rate to 1968 must be 7.0 per cent (line C).

While Nova Scotia has increased its per capita income in the post-war period it has been unable to reduce the income disparity. A detailed analysis of this disparity has not yet been completed. However, several factors seem pertinent. The first major factor is the difference in the proportion of the total population employed in Nova Scotia compared to Canada. In Nova Scotia approximately 29 per cent of the population was employed, between 1960 and 1964, while in Canada the proportion was 34 per cent. The contributing factors to this lower level of employment in Nova Scotia, in comparison to the nation as a whole, appear to be the lower percentage of the province's population in the working age groups and of those in the working age groups, a smaller percentage are in the labour force; that is, fewer in the working age groups are either employed or looking for work. In addition to this, Nova Scotia has been plagued by higher unemployment rates and an economy whose structure has led to a large amount of seasonal employment. The Economic Council of Canada has estimated that these factors have accounted for roughly one-half of the difference in per capita earned income³.

Another portion of the income differential can be explained by the lower average earnings and the lower level of output per employed person in Nova Scotia. This has resulted from many factors such as a larger proportion of the population working in marginal primary operations in resource-based industries, a comparatively lower level of capital stock and the difference in the educational level of the labour force. While no attempt has been made to list all the factors which might account for the gap in income, the above appear to be some of the most obvious.

The Board recognizes that considerable effort will be needed to maintain the present absolute margin of income disparity between Nova Scotia and Canada and in order to accomplish this policies must be formulated which are aimed at removing the differences in these factors. It is for these reasons that the Board stresses policies for increasing

3. Earned income excludes government transfer payments, interest, dividends and net rental income.

labour utilization, productivity and output through education and training, increasing employment, increasing capital investment and bettering the economic structure of the province. The reduction of this absolute difference in income will require an even greater and more concerted effort which will only be successful in the long-term.

Employment Target

Between 1964 and 1968 the growth of the labour force is expected to be 6,300 persons. Besides providing employment for the anticipated increase in the labour force it was considered desirable to reduce the annual rate of unemployment to five per cent. It was realized that the current high level of unemployment could not be reduced to more tolerable levels in only four years in view of the chronic and deep-seated nature of Nova Scotia's unemployment problem. It was further considered desirable to reduce the present underemployment caused by those who suffer from severe seasonal unemployment or those who are forced to work in marginal occupations through lack of alternatives. While no estimate of total underemployment has been made it is thought to be quite large. During the first planning period it was thought that the provision of 2,000 new jobs for the underemployed was a reasonable target. The employment in primary agriculture and fishing as well as mining is expected to decline by 1,800 over the period resulting in a further increase in the number of new jobs needed. In consideration of these four factors, a target of 3,400 new jobs annually or a total of 13,600 jobs over the planning period is required.

The challenge that the target provides can be demonstrated when it is compared to the rate of increase in employment in the past. During the four-year period, 1960 to 1964, the economy has been providing an average increase in employment of 2,100 jobs per year. The target requires approximately a 70 per cent increase over this past performance and an annual increase in employment of 1.5 per cent, double the expected rate of growth of the labour force.

Of these 3,400 new jobs per year, manufacturing should provide 1,600 with the remaining 1,800 being provided by the supporting and services sectors, with the latter providing the majority. The biggest challenge is to secondary manufacturing. In this sector the target is 1,300 new jobs annually. Since 1960 the average annual increase has been 500 jobs. If the province's industrial-promotion efforts and their ratio of successes remain the same in the planning period as they have in the past two years, then there will be an additional need for 200 to 300 new jobs annually in secondary manufacturing.

While an unemployment rate of five per cent is chosen as a target for the first planning period, it is foreseeable that, although the target of

3,400 new jobs is provided for over the planning period, the rate of unemployment may still be higher than five per cent in 1968. This could result from a larger absorption of underemployment than has been assumed. This has happened in other regions of the world where there have been large amounts of underemployment.

Capital Investment Target

Since 1948 the level of per capita annual new investment in Nova Scotia has been approximately 60 per cent of the Canadian average, the lowest of all the provinces. The business investment portion of total new investment has been just over half of the Canadian average. The margin in per capita new investment between Canada and Nova Scotia has increased from \$157 per capita in 1948 to \$212 per capita in 1964 (Figure 6) ⁴.

While no information is available on the level of capital stock in the province, and thus capital to labour and capital to output ratios, it is obvious that it is lower than the Canadian average even taking into account the differences in the type of output mix. In order to increase per capita personal income and employment as well as provide for additional capital expenditures which will arise in carrying out the suggested policy recommendations for the planning period, a significant increase in new capital investment is needed.

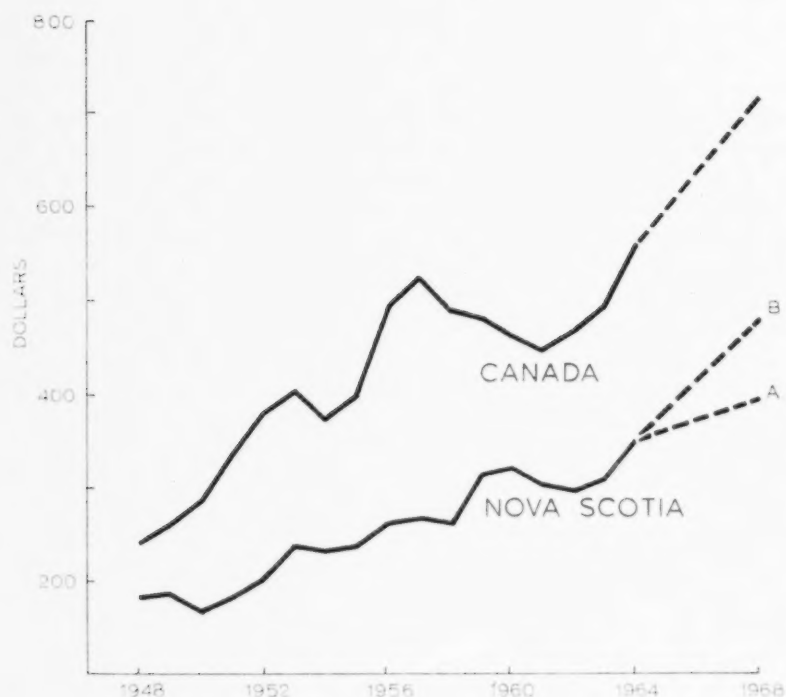
A target of \$380 million for new capital investment expenditures in Nova Scotia in 1968 has been selected as desirable. This will mean an annual growth rate of 9.2 per cent. The average annual growth rate has been 5.5 per cent from 1947 to 1964.

To relate this target to the one established for the Canadian economy by the Economic Council of Canada, will require changing to a per capita relationship. The Nova Scotia target for new capita expenditures would necessitate an 8.1 per cent annual average increase in these expenditures on a per capita basis over the 1964 to 1968 period to reach \$480 in 1968 (line B, Figure 5). This compares with an annual average increase of 4.2 per cent in the 1948 to 1964 period (line A). The target for Canada established by the Economic Council of Canada implies a 6.1 per cent average annual increase to 1968 as compared to a past annual growth of 4.8 per cent (1948-64). The target for Nova Scotia implies that new investment per employee will increase by one-third over the same period. In relation to the Canadian target, the 8.1 per cent annual increase in Nova Scotia implies a narrowing of the present gap between per capita

⁴. The quantitative data are based on current dollars for the lack of a reliable deflating index.

investment in Canada and that in Nova Scotia by five per cent to 67 per cent of the target for the nation at the end of the first planning period.

FIGURE 6
PER CAPITA NEW INVESTMENT
(CURRENT DOLLARS)



SOURCE: Based on data from the Dominion Bureau of Statistics, projection by Secretary Economic Planning, projections for Canada based on the goals established by the Economic Council of Canada.

It will require a tremendous effort on the part of Nova Scotia to approach this target. The target requires an almost doubling of the rate of growth in per capita investment, as well as a reversal of past performance. In the past when Canada's per capita investment has increased

rapidly (e.g., 1947-53, 1954-57) Nova Scotia's has not kept pace, declining to as low as 51 per cent of the Canadian average in these periods.

Structural Changes

Together with the attainment of specific numerical targets, certain structural changes in the economy are desirable. The structure is examined first on the basis of changes in the economy's inputs and outputs and, second, on the changes desirable in the geographical distribution of the province's economic activities. The former aspect has been emphasized throughout the previous sections and will, therefore, be treated briefly. The latter aspect is introduced for the first time and will be covered in more detail.

Since the resource sectors will be unable to provide significant increases in employment opportunities and at the same time provide higher incomes for those employed, the proportion of total employment provided in these activities should decline. There should be absolute declines in primary agriculture, fishing and mining, with agriculture and mining providing the largest decreases. Primary forestry is the exception, with employment increases expected as a result of expansion in pulp and paper processing activities. The processing activities of these sectors should provide small additional employment, the largest occurring in fish processing.

Secondary manufacturing should account for an increased proportion of total employment as well as a rise in the total number of jobs available. Within the sector there should be increased employment in those industries with the highest level of productivity.

In all the supporting sectors except electric power, there should be slight increases in employment but little change in these sectors' relative share of total employment.

The service sector should provide the largest increase in employment, particularly in the fields of education and health. However, little change should occur in their relative share of total employment.

Over the planning period there should be a trend towards larger scales of production, particularly in certain segments of the agriculture, forestry and fisheries sectors, and a larger proportion of capital relative to labour in the production process.

The output of the economy should become more diversified to insulate the economy against the effects of shifts in demand. The proportion of raw materials and semi-processed goods to processed goods produced should decline.

These changes in employment, capital and output should result in a higher level of productivity and income at the end of the planning period.

Through the increase of other types of economic activities in the province, the economy should be further strengthened by the declining relative importance of some of the predominating unstable industries and of defence.

The Board, in formulating policies and setting goals for the economy as a whole, could not overlook the geographical or regional considerations of the province's proposed economic development. As well as recommending policies to provide a better and more viable economic structure as has been outlined above, it was thought that much could be done to improve the geographical aspects of the province's economic activities to enhance the overall growth.

The type of policy which should be pursued on this aspect of development must be consistent with the goals set by the Board for the whole provincial economy. Based on these goals the following guidelines were established:

1. a share of the economic growth by all regions of the province;
2. the improvement of the standard of living in all regions;
3. the improvement of employment opportunities in all regions;
4. the improvement of services (for example, health and education) in all regions;
5. the optimum use of the human and physical resources in all regions; and
6. the optimum use of each region's potential for economic development.

In order to achieve these objectives, the Board concluded that a certain amount of concentration of economic activities is necessary. The present distribution of population has resulted from the province's historical development. In the past when the present population distribution was established, most of the province's income came from primary industries and to a lesser extend from secondary manufacturing operations. At that time, these scattered activities could be operated on a small scale on an efficient and competitive basis. The province's thinly scattered population was then not a deterrent to economic growth. However, technological advance and the demand for better services have changed these conditions. Modern technology requires economic activities to be carried out on a larger scale in order to reach optimum efficiency and to provide maximum income. High-quality services can be provided efficiently only in areas where there is a sufficiently large population to warrant the high expenditures necessary for their establishment. In order

to provide a higher standard of living through better employment opportunities, and better educational facilities and other services for Nova Scotians, a long-term shift in the distribution of economic activities is necessary. The benefits to economic development of a certain degree of concentration are obvious when the growth of other areas of the country, where this condition already exists, is examined.

Strong support for a policy of increased concentration appears in the recently published Second Annual Review of the Economic Council of Canada. Specifically, the Council recommended the encouragement of "efficient agglomerations of activity—growth centres—within different regions in order to achieve increasing economies-of-scale, larger markets and more useful pools of skills, and to avoid uneconomic scatter and dispersion."

In formulating policies aimed at concentrating the distribution of economic activities in the province, the Board realized it is not starting something new. The past trend in the movement of the province's population has been one of concentration, a shift from rural to urban areas (urban areas being defined as towns of a population of 1,000 or more). It is not meant that all rural areas will or should become uninhabited. However, it is recognized that if the income level of the population is to be raised, there must be an accelerated shift of employment out of these rural areas as they can provide productive employment for only a small proportion of the province's population.

In order to meet its objectives, the Board decided that it must go beyond the concept of establishing one or two centres where economic activities are concentrated. Three concepts of concentration have been established: the industrial development centre, the service centre, and the resource centre. By using these three concepts, a more comprehensive approach is taken since concentration is planned to serve the needs of all regions of the province.

An industrial development centre is a centre large enough to support a diversified industrial base which will enable it to generate self-sustained economic growth over time. The industrial base should be composed primarily of secondary manufacturing enterprises. Specifically the centre should include cornerstone secondary manufacturing industries around which industrial complexes can be built. A cornerstone industry is one which produces products on a large scale and, by its very nature, attracts other plants to locate near it to provide it with manufactured inputs and/or to utilize its products for further manufacturing. An example of a cornerstone industry which uses large quantities of manufactured inputs in its own manufacturing operations, but chooses not to make these inputs itself, is a major automobile assembly plant. If such a plant is large

enough, it will attract other plants to provide its manufactured inputs. An example of a cornerstone industry which attracts other plants to use its products for further manufacturing is a petroleum refinery. In each case the establishment of the cornerstone industry has a large economic impact on the centre, first by its size, and secondly by its ability to attract other plants and industries around it. Such cornerstone secondary manufacturing industries usually locate in areas where large pools of skilled labour, specialized training programmes, research and transportation facilities, specialized business services and other services are readily available.

A **service centre** is a concentration of service industries. Such a centre would provide services to its surrounding region. The service centre should provide a range of high-standard services of a type usually found only in larger urban areas. The centre's ability to provide such services depends on their concentration in one area rather than scattered throughout the region. The services should include specialized educational facilities, a large range of health services, efficient transportation and communication systems, specialized shopping facilities and specialized business and professional services, as well as other public and private services. The concept of the service centre does not mean it would be desirable to move all services from the region into the region's service centre. For example, certain types of educational and shopping facilities would remain scattered throughout the region depending on the region's population distribution. However, the centres would provide those services which require larger concentrations of population. A system of service centres would raise the standard of living in areas where services of the types envisaged are not now available. It would reduce the cost to government by enabling the construction of fewer, but more efficient (because of size and specialization) schools and hospitals.

Most service centres will contain some manufacturing industries. Their status as service centres, together with the development of these services, will encourage additional industrial activity by making these centres more attractive as locations for new industry. However, the types of industries locating there will be different from those forming industrial complexes in the industrial development centres.

The third concept is that of the **resource centre**. A resource centre is a concentration of primary processing industries. It concerns itself principally with the processing of local natural resources provided by the primary sectors of agriculture, forestry, fishing and mining. An example of a resource centre is a fish processing centre where a large number of trawlers and other vessels supply the raw material in sufficient quantity to permit operation of efficient large-scale modern harbour facilities.

vessel services and maintenance. Wood processing, with maximum use of waste materials, agricultural and mineral processing should all be concentrated where possible for similar reasons.

In practice, these three concepts of the industrial development centre, service centre and resource centre overlap to some extent. All three functions are found, for instance, in the Halifax-Dartmouth and Sydney-Glace Bay areas, where the support of a large diversified industrial base, provision of a wide variety of services for the surrounding region, and the concentration of a processing industry exist.

The service centre fills the gap between the rural districts and the industrial development centres with their metropolitan characteristics. If the economy consisted of a few industrial development centres and generally neglected regions without service centres, these regions would fall further behind economically and would constitute a burden on the rest of the economy and a waste of possible potential. It is intended that the service centre prevent such a condition from occurring.

The development of Nova Scotian communities in line with these three concepts is already evident. For example, among others, Truro, Amherst, Kentville, Antigonish and Yarmouth are service centres and Lunenburg and the Strait of Canso area are already resource centres.

The objective of the Board is to reinforce these trends. The establishment of such centres throughout the province will strengthen the whole economy. The selection of specific communities which would best fulfill these functions is the long-term policy of the Board. However, more analysis must be done before all such communities can be specified. The limited financial resources of the province preclude the establishment of all three types of centres simultaneously in the first planning period.

The importance of secondary manufacturing in raising the province's standard of living through the provision of increased productive employment is emphasized throughout the First Plan. In order to accomplish these objectives, priority is given to developing industrial development centres.

POLICIES FOR FUTURE GROWTH

In order to change the status quo, policies must be made which will change the course of development toward achieving overall economic efficiency and reaching the employment targets. Policies are thus made to positively affect the growth of secondary manufacturing, which is the basis for provincial economic growth. Policies are also aimed at improving the institutional framework under which the economy must operate.

Sector policies are made in order to achieve the desired economic improvements implied by the selected goals for planning.

Policies for the Accelerated Growth of Secondary Manufacturing

In order to realize the goal of accelerated growth in secondary manufacturing in Nova Scotia, increased concentration of industrial activities should be encouraged by the Provincial Government.

Those areas which have demonstrated a real potential for growth should be recognized and designated as industrial development centres.

Definite action should be taken to make these centres especially attractive to secondary manufacturing. The functions of provincial agencies involved in this endeavour must be clearly defined so as to ensure co-ordination of effort. Every attempt must be made to increase productivity levels in the secondary manufacturing sector and factors affecting these levels should be examined in depth.

Establishment of Industrial Development Centres—The establishment of these centres will require the adoption of certain policies to ensure that these centres become attractive locations for cornerstone industries and industrial concentration. These policies relate to financial incentives, industrial parks, community planning and housing. While industrial development centres are given priority and these policies are directed solely to their establishment, other communities in the province have a particular appeal to certain types of industry. These localities should not be overlooked for general expansion of the secondary manufacturing industry in the province. Communities such as these should be encouraged to establish their own industrial planning commissions and parks in co-operation with provincial agencies. Industrial Estates Limited should continue to promote the whole province and the communities should continue to attract industry which finds the larger industrial development centres unattractive for their operations.

The development of industrial development centres is of paramount importance to the whole economy of Nova Scotia. In some instances, industries may wish to become established outside of these areas of concentration, and every assistance should be given to their establishment. However, no measures or policies which adversely affect the potential for growth of the industrial development centres should be instituted.

Financial incentives should be offered to industries locating in all industrial development centres. Incentives are already available throughout the province, with the exception of the Halifax-Dartmouth area, through the federal Area Development Agency. Similar incentives should be offered in this centre. The Area Development Agency has a national

programme applied consistently across the country. Federal officials have stressed repeatedly that the Area Development Agency programme cannot be altered solely to discriminate in favour of the Halifax-Dartmouth area. However, it has been emphasized by those concerned with economic development, including the Economic Council of Canada, that growth of the national economy is best fostered by balanced regional growth. It is further realized, in order to accomplish this objective, that growth in lagging regions is best obtained by developing those areas within the region which have the most potential. The present programme of the Area Development Agency does not recognize such a principle. Efforts should be made to change the policy of the Area Development Agency programme so that it will be in accordance with this principle, that is, the whole Atlantic Region should be a designated area under the Area Development Agency Programme. The Atlantic Development Board in its forthcoming plan for the region should also stress the necessity of such a change.

Until such a change is implemented it is recommended that funds be made available for this purpose by the Atlantic Development Board which was created specifically to assist with the economic revitalization of the Atlantic Region. Industries locating in the Halifax-Dartmouth area would thus be eligible for capital grants from this fund equivalent to those available under the Area Development Agency programme in the rest of the province. Adoption of the proposal will mean that equivalent financial incentives will be available to industries locating anywhere in Nova Scotia.

Industrial Estates Limited should, among its other functions during the period of the first plan, establish and operate industrial parks in the industrial development centres. Similar parks might be established elsewhere in the province at a later date. As the Sydney-Glace Bay area is the largest metropolitan area in the Island of Cape Breton, Industrial Estates Limited should establish a park there as soon as possible. The Provincial Government should ask the Atlantic Development Board to assist in the financing of a Sydney industrial park through the provision of land and services. This park should be turned over to Industrial Estates Limited for management. All industrial development centre parks should be expanded according to need. Each might emphasize a particular "mix" of industries in order to enhance its attractiveness. This possibility should be investigated by Industrial Estates Limited in conjunction with the appropriate provincial economic and market research agencies noted below.

A building of the "advance factory" type will be available in the New Glasgow area when Clairtone moves into its permanent quarters. Industrial Estates Limited should pay particular attention to the attraction

value of this building as a guide to the feasibility of future construction of similar structures in advance of known demand in the industrial parks. If the New Glasgow factory proves successful as an added form of inducement to new industry, Industrial Estates Limited should give consideration to a policy of maintaining continuously one advance factory in each industrial park. These buildings might be used for short-term warehousing purposes during those periods in which they would otherwise be vacant.

Environmental improvements in the industrial development centres should be given a high priority by the Provincial Government through the Community Planning Branch of the Department of Municipal Affairs. Regional planning commissions already exist in some centres. Their work should be given every possible encouragement. A much closer degree of liaison and co-ordination is desirable between economic planning and physical planning. It is suggested that the Community Planning Branch request the regional planning commissions in the industrial development centres to invite appropriate members of the Board to sit in on their meetings in an advisory capacity. It is suggested that arrangements be made for continuous liaison between the professional staff of Voluntary Economic Planning and the professional regional planners.

Plans should be formulated jointly by the regional planning commissions, the Community Planning Branch, the Nova Scotia Housing Commission and the Central Mortgage and Housing Corporation to ensure that adequate and suitable low-cost housing is available in the industrial development centres as needed for the expected influx of factory workers.

Immediate attention should be given to the types of secondary manufacturing industry that might be attracted to the industrial development centres. A special economic research unit should be established in the government service for this purpose. This unit should start, at the earliest possible time, detailed industry feasibility studies, focussing on matters such as location determinants, minimum and optimum plant sizes, markets, production processes, linkages with existing and prospective industries, productivity levels, capital requirements and transport needs. Research results would then be turned over to Industrial Estates Limited, which at present does not have such information at its disposal. If such data were provided, the promotional effort of Industrial Estates Limited could become even more effective in reaching the goal of accelerated economic growth. In other words, the economic research unit would become part of a provincial research effort designed to make Industrial Estates Limited even more competitive as a promotional agency.

Particular attention should be directed to the concept of cornerstone industries. Such industries already exist in Nova Scotia, but related

industrial growth of the type usually associated with cornerstone plants has up to now been disappointing.

The economic research unit should give priority to the research needs of the industrial development centres. It should recommend the types of cornerstone industries and industrial complexes that are best suited to these centres. At a later date, attention could be given to a much wider range of activities including the industrial growth potential of the many smaller urban centres in the Province. Staffing the economic research unit will not be easy. Competitive salaries must be authorized by the Civil Service Commission and a vigorous advertising programme must be undertaken.

Function of Provincial Development Agencies—It is essential that the functions of the three provincial agencies most closely concerned with secondary manufacturing—Department of Trade and Industry, Industrial Estates Limited, and Voluntary Economic Planning—be clearly defined to eliminate misunderstanding and duplication of effort.

Industrial Estates Limited should continue to be the main promotional agency in Nova Scotia for attracting new industry. To date, its efforts have met with phenomenal success. It is not likely, however, that this extraordinary record can be maintained without adding significantly to the staff of the agency. Two points need emphasizing. First, development authorities stress that, normally, industrial promotion efforts achieve success at the rate of one new plant for each three and one-half man-year's work by promotional personnel. By this criterion, Industrial Estates Limited's record is abnormally good, and by definition, abnormal success is not likely to continue indefinitely. Industrial Estates Limited must be expanded if it is to continue attracting new industry to the province at past rates. Second, past rates of attraction must be increased over the plan period if the employment targets set out in the plan are to be achieved. In other words, the province must accelerate its promotional efforts.

Industrial Estates Limited should not confine its promotional activities to the industrial development centres. Such a limitation is neither necessary nor desirable.

It is recommended that Industrial Estates Limited remain solely a promotional agency. It should not be distracted by the burdens of additional responsibilities.

Voluntary Economic Planning should continue to be the main economic planning body in Nova Scotia. Until now, it has been concerned mainly with the formulation of medium and long-term

economic plans. Its functions should be expanded to include the following responsibilities:

(a) Publication of a quarterly economic review which would feature tabular material and related commentary on current economic conditions.

(b) Publication of an annual economic report which would indicate the progress being made in meeting the plan objectives, the obstacles being encountered, and the means of removing them. This report could also present revised plan targets on an annual basis if such a procedure was felt to be desirable.

(c) Research into the development of new provincial economic data series to supplement those available from the Dominion Bureau of Statistics. Examples of desirable new economic information are (i) capital stock estimates and capital/output ratios by industry; (ii) profit levels by industry.

The Economic Services Division of the Department of Trade and Industry should continue to provide an advisory service to industrial and business firms in the province and elsewhere consisting of business information and market research. It should also continue to assist Nova Scotia municipalities in their development efforts.

Other provinces, e.g., Ontario, have been expanding the range of business information services available through their trade-promotion departments. Similar expansions are necessary in Nova Scotia in order to maintain a competitive position. The Economic Services Division should therefore prepare detailed proposals for those additional services **which it considers desirable**, showing estimated benefits and costs for presentation to Cabinet.

The Economic Services Division should continue to be the main market research agency in the Provincial Government servicing the general business public and other government departments and agencies including Industrial Estates Limited. The basic distinction between the Economic Services Division and the proposed economic research unit might be stated as follows: the former would initiate market research **only upon request** while the latter, being primarily an economic research body, would initiate market research in connection with specific industry feasibility studies when and as it saw fit. The Economic Services Division would be oriented towards serving industry; the economic research unit would be oriented toward basic economic research. In some respects, Economic Services might be considered as a buffer for the unit and against short-term distractions. Basic economic research proceeds best when it is undisturbed. Close and continuous liaison would need to be established between the two bodies for maximum efficiency and effectiveness.

The key factor in market research, apart from quality, is timeliness. The Economic Services Division is currently understaffed due, to a large extent, to the difficulties involved in recruiting economists and statisticians at existing salary levels. The Civil Service Commission should be asked to review its current salary schedules for professional staff and raise salaries to competitive levels as soon as possible.

The Economic Services Division should continue to be the main source of information in the Provincial Government on specific industrial inquiries.

The Department of Trade and Industry administers the Industrial Loan Act and the Industrial Development Act. It is highly desirable that the province be as flexible as possible in the pursuit of the general objective of increased economic growth. It is recommended that the Industrial Loan Act be reviewed by the department with a view to establishing whether or not it meets today's requirements in relationship with other financial inducements provided through other agencies.

Improved Productivity—The average level of productivity in the secondary manufacturing sector in Nova Scotia was considerably below the national average in 1962, the latest year for which figures are available. The reasons for this productivity gap, which is common in varying degrees to all broad industry groupings within the sector, have not yet been precisely determined. Much more detailed investigations will be necessary for this purpose. Preliminary research, however, points to three factors:

- (1) the prevalence of "habit management" in Nova Scotia, including a need for more management training, not only for improved productivity in production, but for more aggressive and advanced marketing techniques;
- (2) lower levels of capital investment per worker than elsewhere, indicating a need for the adoption of more capital-intensive industrial technologies; and
- (3) lower levels of education than elsewhere indicating a need for more employee upgrading programs.

To some extent, these three factors are inter-related. Investigations to date have also revealed the following:

some of the most productive plants in Nova Scotia are branch operations of national or foreign companies. Usually, they are built to the optimum economic size, incorporate the latest technological developments and are run by managers using the latest management techniques.

The major factors affecting productivity levels in the secondary manufacturing sector should be examined in depth to confirm or deny preliminary findings and to suggest ways whereby productivity might

be improved. The necessary studies will be complex and will involve contributions from knowledgeable people with a wide variety of backgrounds. The proposed economic research unit might be a suitable agency for this purpose. The Provincial Government should ask the Atlantic Development Board to support the project with technical and financial assistance. In the meantime, immediate action can be taken in two areas.

Firstly, increased efforts should be made to improve productivity in existing industries. Examples of measures which might be adopted are:

a) greater application of the proven work study techniques available from the Atlantic Region Work Study Centre at the Nova Scotia Technical College;

b) more widespread implementation of operations research and industrial engineering techniques;

c) improvement in the quality of industrial technology in many areas of secondary manufacturing—for example, numerical machine-tool control is still non-existent in Nova Scotia yet it offers a practical solution to some of the problems involved in short production runs and minimum economic size plants;

d) more emphasis on management improvement measures such as participation in the National Industrial Conference Board programme, possible formation of a provincial body similar to the new Manitoba Institute of Management, the Annapolis Valley project of the Dalhousie Institute of Public Affairs, or the joint foreman-training programme of Dominion Steel and Coal Corporation and National Sea Products Ltd. of Louisburg; and

e) greater stress on employee up-grading schemes such as the joint projects of the Departments of Education and Labour.

Secondly, special efforts should be made by Industrial Estates Limited to attract firms in industries which usually display very high productivity levels—e.g. petroleum products and chemicals.

The need for improved productivity in Canada as a whole and in the various regions is stressed repeatedly in the Second Annual Review of the Economic Council of Canada. It suggests that increased productivity is the key to the achievement of the national economic goals set for 1970 but warns that productivity must expand at a faster rate during the next five years than it did in 1964 and 1965 if these goals are to be realized. The lesson for Nova Scotia is obvious. Growth in provincial productivity levels in all sectors of the economy must exceed national growth rates if the competitive position of the province is to be improved. Increased productivity has been accorded a very high priority at the

national level. It must be accorded an equally high priority in Nova Scotia.

Policies for an Improved Institutional Framework

In addition to policies which are designed to influence specific areas of economic activity there are others which affect the economy generally. The purpose of these other policies is to create a more attractive environment so as to encourage a faster rate of development.

Monetary and Fiscal Policy—In periods of national monetary restraint, and in the absence of excessive aggregate demand pressures in Nova Scotia, the Federal Government should make an effort to exclude the province from the full force of credit restrictions by (a) having the agencies of the Federal Government which provide credit, such as the Industrial Development Bank and the Central Mortgage and Housing Corporation, apply restrictive policies less severely in the province, and (b) encouraging the commercial banks to exempt the province from the full force of restrictions on credit availability.

It is recommended that the Provincial Government make a careful assessment of the likely capital spending needs of the province over the next decade, prepare a capital spending programme and assign priorities to the various projects planned. It is further recommended that the Provincial Government request the municipalities to do likewise, and consult with the Atlantic Development Board in an effort to obtain a similar programme of federal capital spending in the province. These three programmes should be incorporated into a comprehensive public capital spending plan to meet the needs of Nova Scotia in the most effective manner possible.

Commercial Policy—It is recommended that the Provincial Government make representation to the Federal Government urging the negotiation and implementation of agreements with the United States similar to the recent agreement respecting automobiles and original automobile parts but concerned with commodities of particular interest to Nova Scotia.

It is also recommended that the Provincial Government make representation to the Federal Government that in all future trade negotiations attempts should be made to gain concessions which will permit the freer flow of all products to foreign markets, which in turn will allow further processing of these products in Nova Scotia.

Transportation Policy—Because of the increasing significance of motor carriers in the transportation of materials and finished goods, it is recommended that the Provincial Government should initiate a plan of highway construction to provide the province in a reasonable period of

time with an adequate system of all-weather trunk highways. Since such a plan is intended as an inducement to a faster rate of economic development, the Provincial Government should seek the financial assistance of the Atlantic Development Board.

Since in the foreseeable future a relatively large proportion of the province's manufacturing output is likely to depend on markets in the central part of the country, it is recommended that the Provincial Government, through the Maritimes Transportation Commission and by other appropriate means, should continue to maintain a critical examination of the adequacy of transportation facilities to these markets and of transportation costs.

As the fate of the port of Halifax will have a large bearing on the future growth of the province, it is recommended that investigation be made of the possible advantages that Halifax has, or could develop, over other Atlantic and St. Lawrence River ports. Huge bulk carriers could take advantage of the excellent harbour depths in Halifax, and, with rapid transportation to central Canadian points, could well give Halifax a competitive edge over other ports. As the Nova Scotia economy cannot support a full-fledged port, central Canadian and American overseas traffic should be encouraged to move through Halifax, which is the logical North Atlantic terminal for container service with the United Kingdom and Europe. Success in this endeavour would help bring industry to the area along with an increased and more diversified shipping service for Nova Scotia export commodities.

Defence Policy—It is recommended that the Provincial Government request the Atlantic Development Board, in co-operation with the Department of National Defence, to examine the implications for the province of the new defence policy and to suggest means of offsetting any detrimental effects which may appear as a result of the examination.

*Education and Manpower Training Policy*⁵.—It is recommended that the overall system of education in the province should be planned to serve, among other things, the needs of the provincial economy. It should be of an open-ended nature, so that every opportunity is offered to the students, at all levels and at all ages, to achieve, either by formal full-time courses or by continuing methods, the highest possible levels. It is recommended that increased attention be given by all educational institutions to the provision of extension courses on both a full-time and a part-time bases.

⁵. See Appendix D for Education Advisory Council Interim Report to the Voluntary Planning Board.

Without decrying the splendid efforts of the Vocational and Technical Division of the Department of Education, it is evident that this division suffers from a lack of knowledge of the detailed needs of our existing and planned secondary industry. It is recommended that additional staff be provided so that a comprehensive study can be made of the needs of the economy in individual areas of the province. Additionally, a detailed appreciation is needed of the human resources in each area and an estimate of the potential of this population in terms of the various levels of technical and technological skills required by industry.

At least one course in post high school chemistry should be offered by September, 1967, by the Nova Scotia Institute of Technology in Halifax and provision should be made for such a course in each new institute of technology.

In order to implement an open-ended approach to vocational and technical training it is recommended that the institutes of technology and the universities provide night school courses, on an extension basis, so that graduates of institutes of technology will have the opportunity of studying for and writing the examinations of professional associations.

It is recommended that the universities offer direct entrance, with credit, to the very best graduates of the institutes of technology.

In providing night-school courses, on an extension basis, the vocational schools and institutes of technology should be urged to make use of competent part-time teachers, who may be employed by industry during the day. While there is a tremendous shortage of teachers in the province, every advantage must be taken of the highly skilled and trained supervisory personnel who would undoubtedly be willing to teach on a part-time basis at these night schools.

While it is axiomatic that all phases of industry will benefit from the research being undertaken at the universities, much of this research will, initially, be beneficial to industry only because of the atmosphere it creates in the local area. Universities should be encouraged to undertake research which will have an immediate influence on the development of new industries in the province, through the provision of research contracts by industry and the Provincial Government.

Sector Policies

The following section deals with some of the major recommendations of the voluntary committees engaged in the planning process. It is not the purpose here, however, to lay out the actual recommendations as such, but rather to highlight the main areas at which the recommendations are aimed. Discussion is broken down into the following sectors:

resource, secondary manufacturing, supporting and tourism. For a more detailed look at sector recommendations see Appendix "B" which sets out all recommendations in their entirety.

Resource Sectors—The resource sectors, especially in primary agriculture, forestry and fishing, suffer from low productivity. For example, the preponderance of small economic units with resultant inadequate capital investment potential, as well as a low-level utilization of modern technological methods make growth difficult. This results in the prevalence of low incomes for those involved in the resource sectors. In turn, low incomes hold down investment and the circle is completed. In order to break away from this circle more people will have to leave the primary resource sectors and find alternative employment in other sectors. Those people remaining in the resource industries must become more highly trained and must use modern methods in their operations. The mining industry has problems of under-utilization of potential natural resources as well as an insufficient number of manpower training programmes. A main area of concern is the coal industry which supports a large number of people and therefore deserves considerable attention in regard to policies for the future. The major recommendations of these sectors cover a wide area, including the formation of new government offices, resource inventories, studies and research, assistance policies and education.

The formation of new governmental agencies is suggested by both the Agriculture and Fisheries Sectors. The former recommends the setting up of a new Economics Division by the Department of Agriculture and Marketing to carry out studies necessary for the attainment of a more prosperous agriculture. The latter recommends that an extension service be established within the Department of Fisheries in order to speed communication of new methods and other pertinent data to the fishing industry, both **primary and processing**.

Both Forestry and Mining Sectors call for resource inventories. A reliable estimate of the volume of sawtimber, pulpwood, and other forest products is needed. The Mining Sector recommends that the mineral inventory now underway be accelerated to as great an extent as possible.

Several recommendations pertain to continued or new research and studies in the resource sectors. These include a study of forest taxation structure with the aim of preparing an improved system, and an examination of the entire movement of forest products within Nova Scotia. Studies and research related to the mining industry cover several areas including a ten-year period of exploration of Cape Breton National Park by the Nova Scotia Department of Mines in order to determine if any areas should be taken out as mineral land. It is also suggested that new

coal extractive methods be sought by the Federal Government. Continuing surveys should be made of potential markets for Nova Scotia minerals and processed chemicals and it is stressed that research should be continued to ensure the retention of existing coal markets.

Financial assistance is recommended in two areas of the resource sectors, one in connection with agriculture, where a permanent feed freight-assistance policy is requested, the other dealing with the topic of coal subventions.

(For the report from the Special Committee on Coal see Appendix C)

The coal industry is faced with major problems. It is recognized that, barring unforeseen developments in entirely new extractive methods, this industry cannot become competitive in the foreseeable future. Consequently, subventions must be continued to enable the industry to survive. Moreover, this industry, which still provides the main support for the Cape Breton economy, must be perpetuated until new replacement industries can be established to support the region. Otherwise, the socio-economic impact would be disastrous, not only to the region directly involved, but to the entire province as well. To guard against this situation, the Mining Sector has called for accelerated efforts to establish viable new industries in the mining regions. The sector further recommends that the Provincial Government be requested to ensure that a measure of control is exercised over any public funds advanced by it to the coal mining industry.

All of the resource sectors are concerned with improving educational programmes. The need for on-the-job and vocational training for woods workers is stressed by the Forestry Sector while the Fisheries Sector proposes a programme of on-vessel training for those fishermen who cannot attend the Fisheries Training Centre in Pictou.

Both the agricultural and fisheries groups feel that representatives from their respective fields should visit high schools to explain to students the career opportunities that are available in agriculture and fisheries when modern technology is applied.

In connection with training for careers in agriculture and fisheries it is suggested that candidates have experience in these fields prior to entering school. The Pictou Fisheries Training Centre should concentrate on up-grading those men already in the industry. The Nova Scotia Agricultural College should be expanded to accomodate more students and its general policies should be revamped to encourage those students who intend to make a career in agriculture.

In addition, education and training programmes are called for by the Mining Sector that will retrain the existing mine labour force, where

desireable, and new entrants to the labour force. These programmes should be so designed to enable the graduates, not only to become more productive when employed in the mines, but equally important, to provide them with an additional range of skills that will fit them for careers outside of the coal mines.

Two other major recommendations come from the resource sectors. The Forestry Sector calls for initiation of cutting practice regulations on a district basis and the initiation of replanting schemes for areas on which regeneration of desirable species does not occur. The Fisheries Sector recommends that immediate attention by industry and government be given to up-grading the proposed qualifications for licensing skippers, mates and engineers.

Secondary Manufacturing Sector—Manufacturing in Nova Scotia has expanded greatly in the last 10 years; however, one of the major problems is lack of being able to take advantage of economies-of-scale in production. Although unemployment levels in Nova Scotia are higher than the national average there is, at the same time, a shortage of qualified labour for an expanding manufacturing sector. In order to employ modern methods of production it is necessary to have a highly trained labour force.

Steel production is a major part of manufacturing in Nova Scotia and the Board, realizing that realistic economic planning would require detailed information regarding the future of the steel industry in the province, requested that a working committee be formed to assess the future of this industry. Although a detailed report has not been submitted, present available information has led the Board to the conclusion that volume in the steel industry will be maintained at levels appreciably above those of 1964 and 1965. (See Appendix E for further information).

The Secondary Manufacturing Sector's main recommendations deal with improving co-operation and efficiency within the industry as well as with educational programmes. Small businesses, because of their size, are unable to employ highly developed and specialized management skills. The sector calls for increased use of the many skilled services offered by government, educational and industrial organizations. It is also recommended that small firms, when faced with similar problems, could engage the help of management consulting services on a joint basis. Further, to improve their competitive position it is recommended that serious attention be given to standardization and improvement of product design, to the preparation and distribution of adequate sales brochures and to aggressive, personal-contact sales promotion.

Educational recommendations are made and it is suggested that more in-plant training should be promoted by the federal and provincial

departments of labour and that vocational and trade school curricula should be consistent with the needs of industry.

Supporting Sectors—The supporting sectors include power, construction, and transportation and communication. In order for there to be a reasonable growth in the goods-producing sectors to fill the needs of industry, the supporting sectors must provide the necessary complementary services. In the supporting sectors, co-ordination, efficiency and long-range planning, both by government and industry, have not always been employed as much as possible. Full co-operation will be required for integrated growth of the provincial economy.

The Power Sector recommends improvement in the method of inspection of wiring by the utilities. At present, inspection standards are not uniform throughout the province. It stresses the need for stricter regulations governing the training, examination and certification of electricians.

Greater efficiency in power generation is urged and recommendations are made for planning by Nova Scotia electric utilities toward serving Nova Scotia on an integrated basis, and for the location of thermal plants in the most economical production-cost area. Further, it is suggested that hydro sites should be developed where it is economically feasible.

The Power Sector feels that continued investigation and feasibility studies should be made regarding the possible extension of the inter-provincial grid to Prince Edward Island and the eastern seaboard of the United States.

The Construction Sector also stresses the importance of co-ordination and efficiency as well as long-range planning by both government and industry. To achieve these ends it recommends a programme of research and development to determine the best means of reducing housing construction costs in Nova Scotia; the appointment of a new government director to co-ordinate and implement all those activities concerned with land use, housing, highways, urban renewal, public housing and other matters related to the house-building industry; adoption of the abbreviated form of the National Building Code of Canada by all municipalities in Nova Scotia; and increased long-range programming by all levels of government, as they are responsible for most construction. It is further suggested that allocation of funds for building and engineering projects be made early enough to permit all preparatory planning to be done so that tender calls can be made throughout the year.

The Transportation and Communication Sector, along with agreeing with the points in the institutional section on transportation, stresses the need for all-weather highways which will permit uninterrupted all-year

use of the province's trunk highways. It emphasizes the importance of the province's transportation and communication system in complementing economic growth. It recommends an integrated effort to bring about the use of containers in cargo handling to provide a speedy and efficient movement of cargo to, from and through Nova Scotia ports.

Tourist Sector—The Nova Scotia tourist industry has grown rapidly in the last decade. Due to the lack of statistical data, it is difficult to measure this growth and to assess its impact on the economy of the province. Consequently, it is not easy to lay out adequate guidelines for the future development of the industry.

In certain areas of the province there is an obvious lack of facilities, including accommodations, food services and entertainment, for the summer visitor. Generally, such areas are located in those parts of the province in which activity bustles during the season, the shortness of which raises special problems concerning the providing of suitable facilities. The need for improvement in the management training and upgrading of employees engaged in the industry is recognized.

The Tourism Sector concerns itself mainly with recommendations for co-ordination of effort, public and private improvement of facilities, regulations and education. The industry is worth a great deal to the province, both financially and in terms of prestige, and a comprehensive research study is requested that would examine its many aspects, provide more factual information and point the way for better development.

The Provincial Government can assist by inspecting and licensing all establishments selling or serving food in the province and by imposing stricter certification regulations for cooks. It is emphasized that the Provincial Government should encourage good quality facilities including food services, accommodations, camping, and salt-water facilities. It should also help in the distribution of tourist brochures throughout the province.

It is recommended that there be an improved educational programme for people involved in the tourist industry, both at the management and employee levels. This programme should include the holding the seminars around the province for management, vocational courses in food service management, and an improved system of training of cooks. An educational manual should also be prepared to inform prospective tourist operators on the various aspects of the industry, while Boards of Trade should organize local educational programmes for employees in the retail trade.

IV

IMPLEMENTATION

Public and Private Agencies

Their Role in Economic Development

The private sector of the economy has a vital role to play in both the planning and implementation stages of a growth programme. A basic principle of voluntary economic planning in Nova Scotia is that the representatives of the private sector of the economy participate in the planning process on a purely voluntary basis and that the groups which co-operate to formulate a plan also co-operate to implement it. On the sector and segment committees, and on the Voluntary Planning Board, representatives of the private sector greatly outnumber government representatives. They provide part of the information required for sound economic planning and they participate in making the basic decisions that are embodied in the plan.

The private sector is not without organizations with general or particular development functions. Several sectors of the economy have their own associations which attempt to promote their own industrial interests. The Boards of Trade and Chambers of Commerce cut across industrial and sector lines and are more generally concerned with the interests of the business and industrial community. The trade unions are primarily concerned with the welfare of organized labour.

The most broadly-based organization in the private sector is the Atlantic Provinces Economic Council, with membership representative of business, industry, labour, the professions and other groups. The Council:

1. carries on a programme of economic research in co-operation with national, regional and provincial bodies;
2. advocates and supports sound policies to promote a higher rate of economic growth in the Atlantic region;

3. co-ordinates, where possible, regional economic activities and promotes and maintains programmes in this field; and
4. informs and educates public opinion both within and outside the region as to the progress being made by the region and the possibilities for future development.

Many federal and provincial government departments and agencies along with municipalities also have responsibilities for economic development in Nova Scotia. The essence of planning is that the activities of these agencies should be co-ordinated toward the achievement of a common set of objectives. Such co-ordination is essential at both the planning and the implementation stages.

At the planning stage the Economic Council of Canada has the responsibility for:

1. advising how Canada can achieve the highest possible levels of employment and efficient production so that the country may enjoy a high and consistent rate of economic development and that all Canadians may share in rising living standards;
2. considering how national economic policies can best foster the balanced economic development of all areas of Canada; and
3. seeking full and regular consultation with appropriate agencies of the governments of the provinces.

The Atlantic Development Board is also a Federal Government agency with planning responsibilities. These responsibilities are:

1. to recommend programmes and policies for fostering economic development in the Atlantic Provinces; and
2. to prepare, in consultation with the Economic Council of Canada, an overall co-ordinated plan for the promotion of the economic growth of the Atlantic region.

Although the Atlantic Development Board is required by legislation to consult with the Economic Council of Canada in the planning process, and while the Economic Council is required to consult with appropriate provincial agencies, it must be assumed that the greatest possible degree of co-operation will be established between the Atlantic Development Board and the provincial governments. Since the Atlantic Development Board has only recently entered the planning field, and since the Voluntary Planning Board has been charged with the preparation of a report at this time, only a limited degree of consultation has been possible with respect to this first Nova Scotia plan. However, this situation will change significantly in the future and the Voluntary Planning Board anticipates mutually valuable co-operation with the Atlantic Development Board.

Other agencies at both the federal and provincial levels which, it must be assumed, engage in some sort of planning to enable them to meet their development obligations effectively. However, three organizations, the Economic Council of Canada, the Atlantic Development Board and the Voluntary Planning Board have responsibilities for comprehensive planning as it affects overall economic development in Nova Scotia. It is obvious that there should be the greatest possible degree of co-ordination in the planning process among these three organizations.

For the implementation of policies for economic development there is an even larger number of government organizations. As has already been pointed out, the Atlantic Development Board, in addition to its planning responsibilities, has a development function. It is concerned with programmes and projects for fostering the economic growth of the Atlantic region and with keeping development policies under constant review. It has also been provided with a fund and is authorized to enter into agreements with the provinces respecting the use of the fund in financing or in assisting to finance projects in the provinces.

The Area Development Agency is a part of the Canada Department of Industry established to:

formulate and implement programmes of assistance for development in designated areas of high unemployment, low income and slow rates of growth.

All of Nova Scotia except the Halifax-Dartmouth area has been so designated.

The activities of the Area Development Agency are co-ordinated at the local level by area development officers, each of whom is responsible for an area or a group of areas. The development officers have the responsibility of maintaining contact between the agency and local industrial, civic and provincial officials and of initiating an active industrial development programme.

The Agricultural Rehabilitation and Development Act (ARDA): provides for a programme of alternate land use, soil and water conservation, and rural development and research, aimed particularly at alleviating the problem of low income in rural areas.

As originally drafted, the ARDA agreement gives the provinces the responsibility of initiating projects and programmes. The provinces implement the programmes and pay approximately half the costs involved. The main objectives of the ARDA programme and policies are established by the Federal Government in consultation with the provinces. Under new agreements recently made, increased emphasis is given to assistance to rural people to gain new employment or resettle

in areas of better opportunity. The Federal Government may provide technical assistance and initiate and carry out research.

Each province in Canada has established its own ARDA officer to administer the provincial programme and to maintain contact with the federal administration. In addition, there are four regional ARDA offices, in the Atlantic Provinces, Quebec, Ontario and the Western Provinces.

Industrial Estates Limited (IEL) is a Nova Scotia crown company the purpose of which is:

to encourage the promotion, expansion, diversification and development of industrial activity in the province.

The company operates independently of government direction and influence, subject to the customary principles which govern the relationship between a crown company and the government. Industrial Estates Limited devotes itself to the development of industry, and will not act in such a way as to endanger any similar industry now operating in Nova Scotia.

Industrial Estates Limited will finance the construction of a plant in a fully-serviced location and lease the plant on a non-profit basis, and the firm is given the option to purchase at a later date. The company will also participate in the financing of new equipment up to 60 per cent of its value. It will construct a plant to the incoming firm's specifications. Services such as water, power and roads are available on all sites, and if necessary IEL will provide surveys of transportation and markets.

In addition to these development agencies several departments of government, both federal and provincial, have responsibilities which either directly or indirectly relate to development. For example, both the federal and provincial governments have departments dealing with agriculture, forestry, fishing, mining and industry. Other departments have responsibilities in regard to financial policy, commercial policy, education and public works. These government departments, as well as the development agencies, must have a role in the implementation of a plan for economic development.

Agencies Responsible For The Implementation Of The Plan

Both the public and private sectors of the economy have important responsibilities for the implementation of a plan for development. In the public sector all three levels of government, federal, provincial and municipal have roles to play, but the Government of Nova Scotia, has the most direct powers and responsibilities. Quite apart from it being the local government, it has direct control over its own departments and

agencies and over its own policies. The Provincial Government has authority, both direct and indirect, over the municipal governments. It has, for example, direct control over municipal borrowing, and it can, by grants-in-aid and by other means, influence the activities of municipal governments in the interest of the full implementation of the recommendations of this plan.

While the Federal Government has exclusive constitutional jurisdiction in certain fields, as has been previously pointed out, the federal and provincial governments share other jurisdictional powers. Also the Federal Government has accepted responsibilities which in the past have been exclusively provincial: for example, the Area Development Agency programme of direct grants to new and expanding industry in its designated areas.

A provincial government has the power of "moral suasion" in its relations with the Federal Government and by this means can encourage development of fiscal, manpower, and industrial-incentive policies which are consistent with the provincial plan for economic development.

Efficiency and effectiveness demand the maximum degree of co-ordination in relations between the Federal and Provincial Governments, and particularly those departments and agencies of the respective governments which have regular contact. The Federal Government has established the Atlantic Development Board with specific and exclusive responsibility to the Atlantic region, and each of the provincial governments in the Atlantic region have appointed liaison officers with the Board. Every effort should be made to utilize this agency as a channel of communication in the formation of programmes and policies for economic development.

One organization concerned with inter-provincial and regional co-operation within the Atlantic Provinces is the Atlantic Provinces Research Board, on which are represented the Atlantic Development Board, the Area Development Agency and administrators of the Agriculture Rehabilitation and Development Act. It was established to co-ordinate the programme of regional economic research, to prevent duplication in the economic research effort and to initiate research of general concern to the four provinces. The Atlantic Provinces Research Board could also perform a valuable function of co-ordinating economic development work in the Atlantic region, and therefore the Voluntary Planning Board

recommends that the Provincial Government request the Atlantic Provinces Research Board to accept this additional responsibility:

to assess the policy implications of various economic research studies and to transmit to the relevant policy-makers the conclusions resulting from these assessments.

In a democratic society the government has little direct control over the private sector of the economy. However, through the dissemination of information and through education the Provincial Government can encourage the private sector to adopt those attitudes and policies which are consistent with the attainment of the objectives of a plan for economic development. The Provincial Government can also, within the limits of its constitutional authority, enact legislation which will influence the activities of the private sector: for example, legislation respecting the conservation and utilization of natural resources.

This report has stressed the importance of reasonable industrial concentration for purposes of overall economic development. Government policy respecting industrial location can influence the private sector through the aegis of the Department of Trade and Industry and Industrial Estates Limited and other means, thus encouraging such concentration where it is in the general provincial interest.

The private sector has a strong voice in the planning process, as it is well represented on the segment and sector committees established by the Board.

The Board is charged with the responsibility of "watch(ing) the performance of the sectors in carrying out their plans . . .", and interprets this directive to mean the assumption of the co-ordinating role of these committees' efforts in attaining the objectives of the plan.

The First Annual Review of the Economic Council of Canada sets out specific growth targets which must be met by 1970. A large Canadian manufacturing firm undertook a study and published a paper indicating what its goals for employment, sales, productivity, research and capital expenditure need to be in 1970 if the company's growth is keyed to the targets set by the Economic Council. In the same way, the Canadian Electrical Manufacturers Association published a booklet to assist member companies to interpret for themselves the meaning of the First Annual Review of the Economic Council of Canada in terms of growth, employment and capital investment. In the same manner, the larger firms in Nova Scotia should be encouraged to determine what their policies should be for the attainment of the employment and production goals set out by the Voluntary Planning Board.

The organization of the private sector can also be enlisted to work toward the attainment of the objectives of the plan. Trade associations should become thoroughly familiar with those parts of this plan affecting their own spheres of activity and should encourage their industries to plan in the light of their findings. Boards of Trade, Chambers of Commerce and the professional associations should also be encouraged to do so.

The Board has already referred to the Atlantic Provinces Economic Council as the most broadly based of the organizations in the private sector. Every effort should be made to obtain and maintain the co-operation of the Council in the planning process and in the implementation of the plan.

It would not be realistic to expect that all the organizations and individuals, both public and private, would work in concert to implement a plan for economic development without some co-ordinating and directive force. The Board recommends therefore that:

when the plan is adopted by the Government of Nova Scotia, either in whole or in part, each department of the Provincial Government and Industrial Estates Limited be directed to review the report carefully, to determine what implementation implies for the policies and activities of the department concerned and Industrial Estates Limited, and to prepare a document outlining the plans of that government body for the implementation of the approved recommendations.

These documents should be concerned with policies, policy changes, departmental activities, encouragement to that part of the private sector with which the department is concerned, dealings with other government agencies, and generally all matters respecting the implementation of the plan. The Board suggests that these several documents should be presented within two months to the cabinet, and passed on for detailed study to the body which is described below.

It is recommended that a committee composed of three cabinet ministers should be formed to be charged with the responsibility of advising the Provincial Government on economic development and implementation of the provincial plan. Specifically, the functions of this committee would be:

1. to expedite the implementation of the approved recommendations;
2. to ensure that the general economic policy agreed under the plan is borne in mind in the establishment of our government policies and procedures; and
3. to advise the Provincial Government accordingly when it is clear that priorities must be set in putting these recommendations into effect.

The Board feels strongly that maximum drive will be essential on the part of the public and private sectors if the plan is to be implemented to the full and without delay. To attain this end a strong lead will be needed from government at all times. It is believed that this committee will be able to assist in making such a lead clear and evident.

The Board would be remiss if it did not also consider the professional framework of the Provincial Government upon which it now depends for statistical and analytical information and upon which it will depend for even more specialized research and advice in carrying out the recommended programmes. It feels that the professional efforts must be co-ordinated if this is to be done in the most efficient manner, and recommends in a general way that the Provincial Government give consideration to consolidating those professionals concerned with economic planning and industrial development, other than Industrial Estates Limited personnel, within the governmental organization.

Finally, no amount of organizational structure will be able to spur implementation of the plan unless there is the right spirit and attack. At all levels, from the cabinet committee down, there must be an optimistic spirit and aggressive determination to make the plan a success. In the sectors and in the segments a large group of volunteers have been working for nearly three years to help the more rapid development of their own particular industry. In all of these committees there has been a drive to make their work successful, and this drive must not and cannot be relaxed.

